

APPEARANCES

COMMISSIONERS

Keith Brackpool, Chairperson

David Israel, Vice Chairperson

Richard Rosenberg

John C. Harris

Bo Derek

Jesse Choper

Jerry Moss

STAFF

Kirk E. Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

Dr. Rick Arthur, Equine Medical Director

ALSO PRESENT

Deborah Russell, 1877 SEIU USWW

Mark Goodwin, Marc Goodwin Insurance Services

Brad Blackwell, Churchill Downs

Alan Tse, Churchill Downs

Jerry Jamgotchian, Trainer

Tanya Werzell

APPEARANCES (CONT.)

ALSO PRESENT (CONT.)

Joe Harper, Del Mar Race Track

Craig Dado, Del Mar Thoroughbred Club

Josh Rubinstein, Del Mar Thoroughbred Club

Tom Robbins, Del Mar Racing Secretary

Mike Ernst, Del Mar Thoroughbred Club

Richard Castro, Local 280

Stuart Titus, Humboldt County Fair

Alan Balch, CTT

Dave Elliott, Cal-Expo

Jack Liebau, Hollywood Park

Gina Lavo, Santa Anita Race Track and Golden Gate Fields

John Bucalo, Barona Casino

Craig Fravel, SCOTWINC

Greg Avioli, Stronach Group

George Haines, Santa Anita

Jason Spetnagel, Santa Anita

Scott Daruty, Stronach Group

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9. Discussion and action by the Board regarding a finding pursuant to Business and Professions Code sections 19483 and 19484 that the ownership of Santa Anita Park Race Track, Golden Gate Fields and XpressBet, by a yet to be named entity controlled by Frank Stronach, is in the best interest of horse racing, and whether such ownership better serves the purposes of Business and Professions Code Division 8 Chapter 4 (Horse Racing Law). 97
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- A. The Board may convene a Closed Session to confer with and receive advice from counsel, considering pending litigation described in the attachment to the agenda captioned "Pending Litigation," as authorized by Government Code section 11126(e).
 - B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 11126(e).

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PROCEEDINGS BEGIN AT 9:45 A.M.

(The meeting was called to order at 9:45 A.M.)

INGLEWOOD, CALIFORNIA, THURSDAY, JUNE 23, 2011

MEETING BEGINS AT 9:45 A.M.

EXECUTIVE DIRECTOR BREED: Ladies and Gentlemen, this is the meeting of the California Horse Racing Board. It will come to order now, so everybody take your seats.

This is the regular noticed meeting of the California Horse Racing Board on Thursday, June 23rd, 2011 at Hollywood Park Race Track, 1050 South Prairie Avenue, Inglewood, California.

Present at today's meeting are: Keith Brackpool, Chairman; David Israel, Vice Chairman; Jesse Choper, Commissioner; Bo Derek, Commissioner; John Harris, Commissioner; Jerry Moss, Commissioner; and Richard Rosenberg, Commissioner.

Before we go on to the business of the meeting I need to make a few comments. The Board invites public comment on the matters appearing on the -- on the meeting agenda. The Board also invites comments from those present today on matters not appearing on the agenda during a public comment period if the matter concerns horse racing in California.

In order to ensure all individuals have an opportunity to speak and the meeting proceeds in a timely fashion I will strictly enforce the three minute time limit

1 rule for each speaker. The three minute time limit rule will
2 be enforced during discussion of all matters so stated on the
3 agenda, as well as during the public comment period.

4 There is a public comment sign-in sheet for each
5 agenda matter on which the Board invites comments. Also, there
6 is a sign-in sheet for those wishing to speak during the public
7 comment period for matters not on the Board's agenda if it
8 concerns horse racing in California. Please print your name
9 legibly on the public comment sign-in sheet.

10 When a matter is open for public comment your name
11 will be called. Please come to the podium and introduce
12 yourself by stating your name and organization clearly. This
13 is necessary for the court reporter to have a clear record of
14 all who speak. When your three minutes are up the Chairman
15 will ask you to return to your seat so others can be heard.

16 When all the names have been called the chairman will
17 ask if there is anyone else who would like to speak on the
18 matter before the Board. Also, the Board may ask questions of
19 individuals who speak.

20 If the speaker repeats himself or herself the
21 chairman will ask if the speaker has any new comments to make.
22 If there are none the speaker will be asked to let others make
23 comments to the Board. Thank you very much.

24 Mr. Chairman.

25 CHAIRMAN BRACKPOOL: Thank you, Kirk. Good morning,

1 everybody. We have a decent agenda but not horrific today, so
2 we should get you out of here in -- in a good -- a good amount
3 of time.

4 Just before we -- before we start the order of the
5 business, a couple of quick comments. I think on behalf of the
6 whole Board we offer our congratulations and best wishes to
7 Craig Fravel with his new appointment as the CEO of the
8 Breeder's Cup and we wish them both well with that.

9 I also want to make a quick comment to the fair at
10 Stockton with the terrific numbers that we've seen. And I
11 think the idea of free attendance is something that certainly
12 caught the imagination up there and may be something that
13 others may want to start to consider on certain days. It
14 certainly had a dramatic effect on the handle, and many
15 congratulations to them.

16 First order of our regular business, approval of the
17 minutes of the meeting of May 26th, 2011. Do I have any
18 comments on the minutes?

19 VICE CHAIRMAN ISRAEL: Moved.

20 CHAIRMAN BRACKPOOL: I have a motion for approval by
21 Vice Chair Israel. Do I have a second?

22 COMMISSIONER ROSENBERG: Second.

23 CHAIRMAN BRACKPOOL: Second by Commissioner
24 Rosenberg. All in favor?

25 ALL COMMISSIONERS: Aye.

1 CHAIRMAN BRACKPOOL: Motion carries. Minutes are
2 approved.

3 I will now move on to public comment, three minute
4 limit. First speaker, Deborah Russell.

5 MS. RUSSELL: A pleasant good morning. My name is
6 Deborah Russell. I am secretary of treasury of 1877 SEIU USWW.
7 Today I am here to give you a brief update on the status of our
8 bargaining. We're bargaining with management for 300 workers
9 in this industry. We are elevator operators, admission
10 sellers, program sellers, gatemen and valets who are working to
11 ensure that racing runs smoothly. I myself have worked Santa
12 Anita. I've worked Los Alamitos when Hollywood Park was under
13 construction. I've also worked at the fair, and under Ken Reed
14 when he was here at Hollywood Park.

15 I am now working at Hollywood Park in operations, and
16 I have been a worker, a dedicated worker for 33 years. Every
17 day I am greeting the guests here. I fill in wherever needed.
18 I can pretty much do it all. For me this is not just a job,
19 this is just a way of life. I'm here Saturday and Sunday, or I
20 have been for the last 33 years, you know, away from my
21 children growing up, and also like my coworkers who work here
22 from 10 to 61 years, we still have someone working. We're
23 dedicated to ensure that our horse -- our horse racing and this
24 industry operate at its highest standards.

25 And everyone knows how the economy is affected. We

1 now work with less days, and 50 percent of our staff is gone.
2 Instead of rewarding us for our hard work and continuous
3 dedication our employer is asking us for the third year, you
4 know, no increases, constantly to go to the negotiation table
5 with it saying, no, no, no. It's very upsetting. We're
6 hardworking. Third year without a salary increase.

7 Second, they're asking us to rollover two more years,
8 you know, and demands to cut our health and welfare.

9 You know, we believe that everyone who works hard
10 should be able to support their families and their loved ones;
11 don't you agree?

12 We take pride in our work. And you know what, no
13 matter how long it takes, sometimes without breaks when there
14 are big days, we do that.

15 EXECUTIVE DIRECTOR BREED: Ms. Russell, you have 30
16 seconds.

17 MS. RUSSELL: Oh, my goodness. We've taken surveys.
18 You know, 90 -- 92 percent of our workers say they're working
19 paycheck to paycheck. Ninety percent said that they have to
20 choose between essentials like healthcare, paying their rent.
21 And again, I think that we should be able to be a part of more
22 than this, a part of where management, meaning the -- the race
23 track owners, continue to make profit and pay millions of
24 dollars in lobbying expense and -- and real estate development.

25 EXECUTIVE DIRECTOR BREED: Ms. Russell --

1 MS. RUSSELL: So we're --

2 EXECUTIVE DIRECTOR BREED: -- your time is up.

3 MS. RUSSELL: Okay. We're asking for your support,
4 please.

5 CHAIRMAN BRACKPOOL: Thank you.

6 MS. RUSSELL: And thank you for your time.

7 CHAIRMAN BRACKPOOL: Thank you so much.

8 MS. RUSSELL: Thank you.

9 CHAIRMAN BRACKPOOL: The next speaker, Marc Goodwin.

10 MR. GOODWIN: Thank you. My name is Marc Goodwin
11 from Marc Goodwin Insurance Services. I'm here at the request
12 of, well, close to 200 thoroughbred trainers and another 40
13 trainers in the emerging breeds' industry as a result of the
14 recent decision by the CTBL regarding the California Horseman's
15 Safety Alliance and Workers Compensation Program.

16 Three hundred and sixty-six days ago I was appointed
17 as the -- the broker for the workers comp group program created
18 by state legislation back in 2002. It's been quite a year.
19 Three months into the program this year we changed from
20 something that the trainers were very used to, which was a
21 daily stall horse count method of charging premium. After
22 studying the program for a few months I made a request to
23 the -- to the board of directors of CTT, TOC and CTBL to change
24 the program into an installment based program based upon
25 payroll rather than horses. This resulted in a very large

1 benefit to a majority of trainers. Excuse me.

2 So I took the liberty of bringing some data to you
3 today. The trainers are very upset about the recent decision
4 to have one program, which is again a horse-based program. The
5 trainers would like to see side-by-side programs because, quite
6 frankly, no one program fits all. And there's a huge advantage
7 to a payroll-based program because the trainers are given the
8 benefit of their own experience, one, which is a modifier to
9 their rate based upon their history of providing a safe
10 workplace to their employees.

11 In our study that we just completed we found out
12 that -- one minute left, okay -- 172 of 300 trainers currently
13 in the program will pay less than they would have in the finish
14 line group. There's 37 trainers in the south and 5 trainers in
15 the north who will benefit from the finish line group. So you
16 know, naturally the finish line group should be available.
17 There's --

18 EXECUTIVE DIRECTOR BREED: Mr. Goodwin, you have 30
19 seconds.

20 MR. GOODWIN: -- 86 trainers who are on a minimum
21 premium level of both programs, my program is more expensive.
22 However, there is a \$375 entry into my program versus \$1,500 to
23 the other program. So I think it's obvious.

24 And if you look at the -- the data I provided you
25 this is actual data of actual trainers, their horse count,

1 their payroll, and what their premium would be under each
2 program. I urge you to look at that and give it some
3 consideration. Thank you very much.

4 CHAIRMAN BRACKPOOL: Thank you, sir.

5 Next speaker, Brad Blackwell from Churchill Downs.

6 MR. BLACKWELL: Good morning. Brad Blackwell from
7 Churchill Downs. I just want to take this opportunity to
8 introduce Alan Tse who is our new executive vice president,
9 general counsel. Alan will be serving as our executive liaison
10 between CDI and the Board, as needed, going forward.

11 MR. TSE: Good morning. I just wanted to come and
12 meet the Board and say that CBI is committed --

13 EXECUTIVE DIRECTOR BREED: Alan --

14 MR. TSE: -- to California.

15 EXECUTIVE DIRECTOR BREED: Alan --

16 MR. TSE: Yes?

17 EXECUTIVE DIRECTOR BREED: -- give your name and who
18 you work for, please.

19 MR. TSE: Alan Tse. I'm the executive vice president
20 and general counsel for Churchill Downs Incorporated. I'm also
21 a California resident. I live in Rancho Santa Fe in San Diego,
22 and I've been with Churchill for a little under three months.
23 So my role here is to -- to learn the industry and to learn
24 this great business. We just concluded our 137th running of
25 the Kentucky Derby. And I hope to -- to have another 137 year

1 run starting now.

2 So I wanted to introduce myself, and also just want
3 to -- to learn the business of California. And we wanted to
4 make the point that California is an important jurisdiction for
5 us as a company.

6 CHAIRMAN BRACKPOOL: Thank you very much. The next
7 speaker I have is Jerry Jamgotchian.

8 MR. JAMGOTCHIAN: Chairman Brackpool, Members of the
9 Board, it's pretty interesting that I follow Mr. Tse, the --
10 the gentleman from Churchill Downs.

11 EXECUTIVE DIRECTOR BREED: Give your name, Mr.
12 Jamgotchian.

13 MR. JAMGOTCHIAN: Sorry. Jerry Jamgotchian.

14 It's interesting that I follow Mr. Tse who is the
15 general counsel at Churchill Downs that is attempting to
16 enforce the illegal claiming rule in Kentucky. So we'll see
17 how that goes later on.

18 With regards to the Horse Racing Board agenda today,
19 I think it would be beneficial for the chairman to address
20 upcoming events. Since you're not going to do it I'll do it.

21 There's a June 26th meeting in this room that the TOC
22 is going to have with regards to explaining their activities as
23 the managing agent of California horse racing. And I would ask
24 all owners to come and ask some hard questions about the TOC
25 and how they've looted the coffers of \$600,000, as well as

1 taken this sport to new lows including the increasing of
2 takeout, and also other very bad business decisions, as well as
3 mismanagement of SCOTWINC and NOTWINC. So that's after the
4 races on the 26th.

5 Also, BetFair is going to have a meeting on,
6 apparently, June 30th. That's what Steven Burn announced. I'm
7 sure hopeful that meeting does occur because -- do you know
8 anything about that, Chairman Brackpool, about the BetFair
9 meeting? I didn't think you'd say anything.

10 So additionally, that meeting, if it does occur, it
11 certainly will be interesting to see how they're going to make
12 up a 22 percent gap between the takeout and -- and what they
13 charge their customers.

14 Additionally, I'd like to welcome Mr. Harris to
15 Pennsylvania horse racing. It's a great place to race, so I'm
16 sure we'll be racing against each other there. It also kind of
17 signals Mr. Harris's exit, along with Craig Fravel, who I think
18 both of these long-time supporters of California horse racing
19 essentially raised the white flag because they see the
20 direction of California horse racing under this Board declining
21 significantly. And I think the exit by Fravel is -- is very
22 indicative of the future.

23 Additionally, there's a very important thing going on
24 with the certification of the TOC. And I -- if any members
25 haven't signed the petition yet to recertify the TOC that's

1 something that certainly is very important to the future of
2 horse racing in California. It's interesting --

3 EXECUTIVE DIRECTOR BREED: Mr. Jamgotchian, you have
4 30 seconds.

5 MR. JAMGOTCHIAN: Thank you. It's interesting
6 that -- that Chairman Brackpool talks about Stockton and their
7 no admission charge, but allows the other race tracks and
8 fosters increasing takeout against the customer. The customer
9 has told the race tracks that they want cheaper expenses to
10 attend the races, as well as cheaper expenses to wager, but
11 this Board certainly does the opposite. So even though you
12 acknowledge the efforts of Stockton you don't -- you don't
13 support a lower takeout. Thank you very much.

14 CHAIRMAN BRACKPOOL: Thank you. Next speaker, Tanya
15 Werzell.

16 MS. WERZELL: Good morning. My name is Tanya
17 Werzell. I've worked for Hollywood Park for about 29 years as
18 an admission seller. It is because of my work and the work of
19 my coworkers that keep the patrons coming back to this race
20 track. Many of us are on a first-name basis with the owners
21 and trainers, and we've developed personal relationships with
22 them and their families.

23 My coworkers and I have stood by the horse racing
24 industry as its weathered the storm in this economy. There is
25 no question that we are dedicated to this industry and to the

1 fans that we serve every day, but we are struggling. We're
2 working a four-day week and a lot of us can not pay our rent.

3 Enough is enough. The race track continues to make
4 profitable revenue from non-racing events like filming on -- on
5 race track property, festivals, concerts. And we have endured
6 significant reductions in our staffing, in our wages and our
7 compensation.

8 We are proud of this industry, and we're not asking
9 for much. We're asking for your support to gain secured health
10 benefits for ourselves and our families. Thank you.

11 CHAIRMAN BRACKPOOL: Thank you. Item number three --
12 that concludes public comment. I have no further speaker
13 requests.

14 Item number three, discussion and action by the Board
15 regarding the proposed amendment of CHRB Rule 1433, Application
16 for License to Conduct a Horse Race Meeting, to revise the form
17 CHRB-17 and the form CHRB-18, being both the regular horse
18 racing and the California Fairs. This is a project that's been
19 underway now for some months to try and modernize this, and I
20 think we finally have an application in front of us that's
21 certainly worthy of discussion.

22 If you have anything to add to that add it, Jackie.
23 If you don't, shake your head. Okay.

24 MS. WAGNER: Nothing more to add.

25 CHAIR BRACKPOOL: Okay. And maybe I could ask

1 Commissioner Harris and Commissioner Rosenberg to give their
2 comments because they've been the two who have sort of taken
3 the lead on this.

4 But, John, perhaps you could start.

5 COMMISSIONER HARRIS: Well, a lot of the basis of
6 race track operating is its ability to get a license from the
7 CHRFB. And this is an application we've had for years that has
8 kind of evolved, and we're just refreshing it and trying to see
9 how it could be better.

10 But what I'd urge is all the parties, everybody, to
11 take a look at what you want to see in the application. Is it
12 reflected here, is there a better way to reflect it, or what,
13 really what? I mean, some of it is just, you know, basic
14 stuff, the name and address, things like that. But anything
15 that somebody thinks should be in there, well, bring it up.

16 CHAIRMAN BRACKPOOL: Well, to clarify Commissioner
17 Harris's point, if we vote on this today this will go out
18 for --

19 COMMISSIONER HARRIS: Yeah.

20 CHAIRMAN BRACKPOOL: -- a 45-day comment.

21 MS. WAGNER: Correct.

22 COMMISSIONER HARRIS: Yeah, the comment --

23 CHAIRMAN BRACKPOOL: So he's saying during that
24 comment period.

25 MS. WAGNER: The staff's recommendation, exactly.

1 COMMISSIONER HARRIS: Yeah. Usually what happens is
2 we put this out for comment and no one pays any attention.

3 CHAIRMAN BRACKPOOL: Right.

4 COMMISSIONER HARRIS: And then we have a meeting and
5 everyone's got a different idea.

6 CHAIRMAN BRACKPOOL: Right. I agree.

7 Commissioner Rosenberg.

8 COMMISSIONER ROSENBERG: I'll just compliment the
9 staff on preparing the changes to the form. I think it's very
10 thorough. The financial section is the one I was the most
11 interested in and I think it's fine.

12 CHAIRMAN BRACKPOOL: Do I have any other Commissioner
13 comments on the form?

14 I had one comment only, and I don't know whether this
15 is something we could figure out how to change. But on -- it's
16 actually on 3-2 of our staff report, section 6, the handle
17 history. It says, "This is a new subsection which will capture
18 information regarding the last five years of handle and
19 attendance. Only associations that have been licensed by the
20 Board during the last five years must complete this section."

21 MS. WAGNER: Correct.

22 CHAIR BRACKPOOL: Most of the time that's going to be
23 the case anyway. But if someone was a new one then we should
24 have it for however many years less than five then.

25 MS. WAGNER: Okay.

1 CHAIR BRACKPOOL: And we shouldn't wait until they've
2 been in business five years to start getting their handle
3 numbers.

4 COMMISSIONER HARRIS: Yeah.

5 CHAIR BRACKPOOL: We should always have the handle on
6 them.

7 MS. WAGNER: Okay.

8 CHAIRMAN BRACKPOOL: So it should be the last five
9 years or as many as you have short of five years.

10 MS. WAGNER: I'll make that change.

11 COMMISSIONER HARRIS: Or the place that was operating
12 there --

13 CHAIRMAN BRACKPOOL: Kirk, can --

14 COMMISSIONER HARRIS: -- if it changed ownership --

15 CHAIRMAN BRACKPOOL: Kirk --

16 COMMISSIONER HARRIS: -- or something --

17 CHAIRMAN BRACKPOOL: Exactly.

18 COMMISSIONER HARRIS: -- it might be technically a
19 different --

20 CHAIRMAN BRACKPOOL: So let's just fix that.

21 MS. WAGNER: Right.

22 VICE CHAIRMAN ISRAEL: And one other thing. If the
23 name of the racing association changes but the management is
24 essentially the same, which may be the case in some of the
25 Magna properties, that doesn't --

1 CHAIR BRACKPOOL: I think that's what John --

2 COMMISSIONER HARRIS: Yeah.

3 CHAIR BRACKPOOL: John was trying to make that point.

4 COMMISSIONER HARRIS: Yeah.

5 CHAIR BRACKPOOL: Which is, if the race has really

6 been run there --

7 VICE CHAIR ISRAEL: Yeah.

8 CHAIR BRACKPOOL: That we should look at those, just

9 on the handle because I think that's the crucial piece of data.

10 Let's try and fix that one section --

11 MS. WAGNER: I'll add that --

12 CHAIR BRACKPOOL: -- before you send it out.

13 MS. WAGNER: -- language to capture it.

14 CHAIR BRACKPOOL: But that was my only comment.

15 VICE CHAIR ISRAEL: It should be -- it should be -- I

16 guess the easier way to put it, it should be a question of --

17 of geography rather than corporate.

18 MS. WAGNER: Okay.

19 VICE CHAIR ISRAEL: If it's run at Santa Anita it's

20 run at Santa Anita. So --

21 CHAIR BRACKPOOL: All right. So we'll -- we'll --

22 we'll try and fix that.

23 Commissioner Rosenberg, something else?

24 COMMISSIONER ROSENBERG: I was just going to say that

25 I hope we don't have to wait another 30 days to fix this.

1 CHAIR BRACKPOOL: No. We -- you can make that
2 modification --

3 MS. WAGNER: I can make it.

4 CHAIR BRACKPOOL: -- and we can vote today to put
5 this out.

6 COMMISSIONER CHOPER: I actually thought that that
7 was implicit, but you certainly can make it clearer.

8 CHAIR BRACKPOOL: Right. Okay. So do I have a
9 motion to approve this going out for comment?

10 COMMISSIONER MOSS: So moved.

11 COMMISSIONER CHOPER: Second.

12 CHAIR BRACKPOOL: Motion made by Commissioner Moss.
13 Seconded by Commissioner Choper. All in favor?

14 ALL COMMISSIONERS: Aye.

15 CHAIR BRACKPOOL: The motion carries.

16 The next item, discussion and action by the Board on
17 the Application for License to Conduct a Horse Race Meeting of
18 the Del Mar Thoroughbred Club at Del Mar, commencing July 20th,
19 2011 through September 2011, inclusive.

20 I'd like to have the Del Mar representatives come to
21 the -- the front. Joe, could we have you -- oh, are you going
22 to use that microphone?

23 MR. HARPER: Yes, there --

24 CHAIR BRACKPOOL: Okay.

25 MR. HARPER: -- if it's okay with you.

1 CHAIR BRACKPOOL: That's fine. And just before you
2 speak, there is one error in the first paragraph of the staff
3 report. It says on the first paragraph the -- in 2010 the
4 average daily purse for the meet was 568. The estimated one
5 for this meet is 527. They're actually reversed. It was 527.
6 They're estimated at 568.

7 MR. HARPER: Joe Harper, CEO, Del Mar Race Track.

8 CHAIR BRACKPOOL: Right. And --

9 COMMISSIONER DEREK: I just wanted to thank --

10 CHAIR BRACKPOOL: Commissioner Derek.

11 COMMISSIONER DEREK: Yes. I'd like to thank Del Mar
12 for providing the paramedics and the ambulance on track. I
13 think that that's going to be vital to the best care for our
14 riders, and I'd like to thank you. I know this has been talked
15 about back and forth for the past few months and it was -- it
16 was very encouraging to see that you voluntarily did that.

17 MR. HARPER: No. It's -- I agree with you 100
18 percent.

19 CHAIR BRACKPOOL: Joe, I'm sorry, could you just give
20 your name and affiliation for the record?

21 MR. HARPER: Sure. Joe Harper. I'm the CEO of Del
22 Mar Thoroughbred Club.

23 And first let me say that we had hoped Mr. Fravel
24 would be here in the audience today. And so --

25 CHAIR BRACKPOOL: He is.

1 MR. HARPER: He is?

2 VICE CHAIR ISRAEL: He is. He's stuck in the back.

3 MR. HARPER: Oh, he's hiding. But -- because I know
4 that it's taken five of us to replace one of him, if you'll
5 notice up here. And he will be missed greatly by -- by all of
6 management at Del Mar and certainly by this industry as a
7 whole, not just in California but around the country. He's
8 been a shining light in a lot of the business end in the
9 dedication that she's shown toward coming up with fresh ideas
10 and solving a lot of problems. So hopefully at Breeder's Cup
11 he'll be in a position to -- we can all benefit from it.

12 He will be officially leaving Del Mar's employment at
13 the end of this month. And I believe we have sent a letter to
14 you that my u-turn on the road to retirement is -- will be
15 official on the 1st of July. So I am --

16 CHAIR BRACKPOOL: I noticed your wife was not copied
17 on that letter.

18 MR. HARPER: No. No. She thinks he's still working
19 there. It's fine.

20 But I'll -- I'll be president and general manager, as
21 well as CEO for the time being. And -- and for the record,
22 we're not going to seek a replacement. Couldn't replace Fravel
23 anyway. But the people in front of you and Mike Ernst sitting
24 over there are all very capable vice presidents and certainly
25 capable of running this race meet better than anybody I know.

1 With that I'll turn the, you know, the rest --
2 they're -- they're the ones that are going to answer the
3 questions that you might have. And -- and so we'll submit our
4 license application for approval.

5 CHAIR BRACKPOOL: Thank you, Joe. And just to make
6 it clear, when we met the other day I did ask the question that
7 -- that as -- as -- as competent and as deep as the -- as
8 the -- as the bench is you say that this Board could still look
9 to one person if we have an issue or we have somebody, and that
10 would be yourself.

11 MR. HARPER: Yes, sir.

12 CHAIR BRACKPOOL: Thank you. With that I think I
13 would let you guys go ahead and -- and present, and then I'm
14 sure we have some questions.

15 MR. DADO: I'd like to talk about a couple of --

16 CHAIR BRACKPOOL: Name and affiliation.

17 MR. DADO: Oh. I'm Craig Dado, Del Mar Thoroughbred
18 Club.

19 CHAIR BRACKPOOL: Thank you.

20 MR. DADO: I'd like to talk about a couple of new
21 bets, actually three new bets that we'll be offering this
22 season.

23 CHAIR BRACKPOOL: Jackie, do we have that letter to
24 hand around? If you could give a copy to every Commissioner.
25 I just got mine, but thank you. Okay.

1 MR. DADO: Our -- our application does refer to a new
2 bet for Del Mar which is called the 50 Cent Players Pick 5 with
3 a 14 percent takeout. This is a bet that Hollywood Park is
4 currently offering. This bet has proven to be very successful
5 at Hollywood Park. And therefore we -- we intend to offer the
6 same bet. However, we fear that long term this bet may perhaps
7 have a negative affect on the Pick 6 pool, a little -- a
8 cannibalization.

9 As we all know in California, we essentially host the
10 national Pick 6. And we are concerned that we may give up this
11 competitive advantage long term with bets such as the Players
12 Pick 5 or the Early Pick 5. Therefore, working with the TOC we
13 have come up with a new player friendly promotion related to
14 the Pick 6, and it's called the Guaranteed \$50,000 Carryover.
15 Now this is not to be confused with a guaranteed pool. This is
16 a guaranteed carryover which essentially plays like a win
17 bonus. And we're going to offer this bet every Sunday of the
18 meet. So if someone is to hit 6 out of 6 on a Sunday during
19 the meeting, let's say there's 25 such winning tickets, each
20 ticket would pay an additional \$2,000 to get to that \$50,000.

21 We like this bet for a number of reasons. First of
22 all, we need to get some buzz around our Pick 6 and some
23 promotion around it. We think this will do it. We -- we
24 conducted some focus groups with some of our big players and
25 they really like the idea. They say this \$50,000 win bonus

1 will be enough incentive for them to increase what they play in
2 that pool and consider playing that pool, and otherwise they
3 wouldn't.

4 The next thing we like about it is that people can
5 plan for it. Right now even though we think we do a pretty
6 good job of getting the word out when there is a carryover,
7 people basically have only about 18 hours to get their money
8 together, to get their buddies together, to put a ticket
9 together, to handicap. It's a fire drill to get it together
10 and play a Pick 6. With this people could circle every Sunday
11 on the week, know there's going to be a Pick 6 carryover and
12 plan for it.

13 And then finally, the last thing we like about it is
14 we all know how well both purses and commissions do for the
15 race tracks when there's a carryover. What's even more
16 lucrative is when there's a double carryover. And if we're
17 lucky enough to have the horses produce a carryover for us from
18 Sunday into Wednesday it will almost play just like a double
19 carryover, which is extremely lucrative for us. So for a lot
20 of reasons we think this is going to be a big success, and we
21 hope you guys agree with us.

22 CHAIR BRACKPOOL: That's the second bet?

23 MR. DADO: Yeah. Do you have -- do you want to
24 address that one or do you want to go on to the third one?

25 CHAIR BRACKPOOL: Why don't you go through the three

1 bets and then we'll take comments, otherwise we'll get out of
2 order.

3 MR. DADO: Okay. The third bet is a head-to-head bet
4 where every Saturday of the meet on the feature race, which
5 would be race eight each Saturday, the racing department will
6 select two horses, likely two of the more favorite type horses
7 in the race, and people will be able to bet these horses head-
8 to-head with a ten percent takeout, meaning it doesn't matter
9 where you finish overall in the race as long as you beat the
10 other horse, with like I said, a ten percent takeout, which is
11 along the lines of a sports bet. If you're going to bet a
12 football game or a baseball game, a head-to-head with a ten
13 percent takeout is, we think, going to attract some players.

14 Again, we focus grouped this. And then we talked to
15 big players that said often times they might pass on a race if
16 a horse they like is not more than four-to-one. But in a case
17 like this with a head-to-head if they -- if they favor one
18 horse over another they may very well play this bet.

19 So we're looking forward to offering the Players Pick
20 5, the Guaranteed \$50,000 Pick 6 Carryover, and the Head-to-
21 Head every Saturday.

22 CHAIR BRACKPOOL: Thank you. Before we move on to
23 other parts of the application I have a chance to review all
24 this with -- with them this week.

25 But do I have any comments from the commissioners on

1 -- on these?

2 VICE CHAIR ISRAEL: I think it's great. All -- most
3 new things are good things. And a head-to-head bet is
4 particularly interesting. So --

5 CHAIR BRACKPOOL: Perhaps we would just comment on
6 the fact that the reason for doing it only once and on a
7 particular race at the moment is -- is somewhat technology --
8 restriction of technology driven; correct?

9 MR. DADO: Yeah. We considered doing this bet every
10 day of the week. And unfortunately we were told by TOTE that
11 it would have to be the same race number, race six, for
12 instance, all week. We really wanted to feature this bet on
13 the feature race. And by -- by being limited to the same race
14 number each racing day we felt we wouldn't be able to do that.
15 So this is kind of a test run, if you will. Just one race. If
16 this thing is successful maybe next year we'll be sitting here
17 in front of you asking to do it every day.

18 VICE CHAIR ISRAEL: Is there any research where you -
19 - you understand what field size will provide the optimum play
20 in this bet and -- and running? Is there correlation? Because
21 you could have a feature race with a prohibitive favorite where
22 you're only going to draw 5 entries, or you could have a
23 feature race where you've got 12 entries.

24 MR. DADO: Right. The -- to answer your question we
25 did not do any research. But the nice thing about a head-to-

1 head bet is that it's field-size proof. If you have a 5 horse
2 field or a 12 horse field a head-to-head is the same. So we,
3 you know, we're going to see. The only time we've ever seen
4 this bet offered, the Breeder's Cup did it back in 2003, 2004,
5 right around that time. Other than that we have not really
6 seen --

7 VICE CHAIR ISRAEL: And that's full fields?

8 MR. DADO: With full fields.

9 VICE CHAIR ISRAEL: Yeah.

10 CHAIR BRACKPOOL: And may I just -- the -- the
11 exhibit that we have in front of us which are the set of rules
12 for this particular were -- these are drawn from which
13 association?

14 MR. RUBINSTEIN: Josh Rubinstein, Del Mar
15 Thoroughbred Club.

16 This is the ARCI rule. And I believe it's 004-105(w)
17 under Matched Rival Pools.

18 CHAIR BRACKPOOL: And this was the rule that the
19 Breeder's Cup used --

20 MR. RUBINSTEIN: Correct.

21 CHAIR BRACKPOOL: -- for their match races?

22 MR. RUBINSTEIN: Correct.

23 CHAIR BRACKPOOL: Thank you. John?

24 COMMISSIONER HARRIS: I think it's a great idea in --
25 especially in your market where you've got basically a friendly

1 media. You can really get the media talking about it, where on
2 the six o'clock news the night before they're talking about who
3 they're going to bet in a head-to-head because that's where we
4 need more racing, it's some fairly simple concept that people
5 are betting on.

6 VICE CHAIR ISRAEL: Right. It's a bet that doesn't
7 require a tremendous amount of handicapping. It's a bet you
8 can make with your heart, and that will attract the average
9 person who's not a horse player, and that's what we need to do
10 to stay in the business.

11 COMMISSIONER DEREK: Yes. I can say that this would
12 appeal to myself, my girlfriends. We'd like it very much. And
13 I can see the potential for promoting horses as individuals.
14 And I think that the sport really benefits from that anytime we
15 have a superstar horse.

16 CHAIR BRACKPOOL: Can I just ask one mechanical
17 question. So the racing secretary is going to determine which
18 are the two entrants in the match race. When will that be
19 done, at the time entries are taken, 24 hours before the -- how
20 is it going to be done if we're going to start to build.
21 Because I agree here with -- with -- with Commissioner Harris.
22 I think in addition to -- to the bet itself and the money
23 that's made on the bet itself, I think probably just as
24 important, this could be really be one of the things that
25 starts to help to promote that day or something else.

1 So can you just give me the mechanics of how that
2 would work?

3 MR. ROBBINS: Well, I think that when --

4 CHAIR BRACKPOOL: Well, name and --

5 MR. ROBBINS: Tom. I'm sorry. Tom Robbins, Racing
6 Secretary at Del Mar.

7 We could do it as early as the entries are taken.
8 Once the entries are finalized, which is either three, four or
9 five days outside of the race time, we can choose the two
10 horses at that point. We can -- we do have to wait for the
11 finalization of the program, right, because there could be
12 scratches where two horses could be scratched. So --

13 CHAIR BRACKPOOL: And will you have a reserve in the
14 event of a scratch or will you just scratch the bet?

15 MR. ROBBINS: I think we could do one of two things.
16 We could change the two if -- if -- if there is not a suitable
17 horse to replace the horse that scratched at that point and
18 create two new horses. But we do scratch 24 hours ahead of
19 time, so it would still give us enough time. Most -- most
20 times we feel we'd be comfortable, and I doubt that one of
21 those two horses would scratch. You know, most of the time I
22 think those two horses would remain alive.

23 CHAIR BRACKPOOL: Okay. Commissioner Rosenberg.

24 COMMISSIONER ROSENBERG: What would happen for a
25 later scratch than that, a vet scratch or something like that,

1 how would that work?

2 MR. ROBBINS: The ARCI rule addresses that. And if
3 that were the case the bets would be refunded.

4 CHAIR BRACKPOOL: Right.

5 COMMISSIONER HARRIS: Yeah.

6 CHAIR BRACKPOOL: Just like a Pick 3 or a Pick 4
7 where something is --

8 COMMISSIONER HARRIS: That would -- obviously, you'd
9 just have to refund it. It's like if somebody scratched out of
10 the double. But it seems like it would be good, though, if you
11 could make it more than 24 hours. You pick -- I mean, I
12 thought we had it down to basically program scratches where you
13 know the program number of that horse, you know, after the
14 entries are drawn, and it doesn't necessarily really change.
15 Because the further out you can make it the more chatter
16 they're going to get. So if they're --

17 CHAIR BRACKPOOL: Well, this is something that will
18 be a work in progress. You'll work with it and do that. But I
19 think that I'm hearing strong encouragement from the Board of
20 innovation and a new bet, and hopefully this is something we
21 can do.

22 As far as the -- the Pick 5 bet, that was something
23 we had already approved for Hollywood. And as far as the Pick
24 6 bet, do I have any comments on the \$50,000 carryover? So
25 again, I think we'd be supportive of -- of -- of those three.

1 So, Jackie, when we get to the end of this
2 application, however you do it let's make sure that the
3 application is amended to include the two bets that were
4 submitted to us in writing that we have in front of us that we
5 just discussed.

6 MS. WAGNER: Absolutely. The documentation will be
7 added to the file.

8 CHAIR BRACKPOOL: Okay. Perhaps we can talk about
9 anything else on the meet, marketing plan, anything that's
10 different, projections, projected purses, etcetera.

11 MR. DADO: One -- one -- Craig Dado, Del Mar
12 Thoroughbred Club.

13 One thing I'd like to address that we're going to do
14 with marketing and we're very excited about is we're having a
15 new Del Mar app that we -- we will be releasing in early July.
16 On this application you will not only be able to see live odds,
17 win probables and such, will pays, but you're also going to be
18 able to watch the Del Mar races live, as well as go back and
19 watch replays on your Smart Phone.

20 And something we're -- we're just finishing up now
21 and we think we're going to get it done by opening day is if
22 you are on-track at Del Mar you will be able to bet on your
23 Smart Phone on the Del Mar races. You can sit in your box,
24 download the app, load some money on it, and you'll be able
25 to -- to not have to get up all day and sit down.

1 VICE CHAIR ISRAEL: And that handle will be
2 considered on-track handle for the purposes of takeout?

3 MR. DADO: True.

4 CHAIR BRACKPOOL: With the way they're doing the
5 software it will go to the --

6 VICE CHAIR ISRAEL: It will go to --

7 MR. DADO: Well, the --

8 VICE CHAIR ISRAEL: -- go through the windows.

9 MR. DADO: Yes.

10 CHAIR BRACKPOOL: Right.

11 MR. DADO: If you're sitting at Del Mar you'll be
12 able to do it. If you're sitting at -- at -- across the street
13 at Papanos (phonetic) you will not be able to get in the pool.
14 It's only on track.

15 COMMISSIONER MOSS: Only on track.

16 CHAIR BRACKPOOL: The software allows that to -- to -
17 - to have -- I mean, I think this is -- this is everything, the
18 direction that we've been asking for, which is -- because we
19 had the Churchill people here last time, Smart Phone
20 technology, etcetera, etcetera. And I think that that's
21 certainly -- that's certainly -- well, he's not -- anyway, so
22 let's hear the rest of the --

23 MR. DADO: Yeah. We -- we have put together very
24 strong marketing program that we have a lot of confidence in.
25 We -- we're hoping we'll be up again in marketing and push our

1 on-track number over the 18,000 person per day mark, which
2 would be what we call the modern day record. That's the
3 highest the on-track average has ever been since -- since the
4 advent of satellite wagering. So we've got high expectations
5 for a great on-track thing.

6 And we've got some exciting things happening on the
7 horse side that, Tom, you may -- you may want to address.

8 MR. ROBBINS: As you can tell from the application we
9 are planning on running five days a week. We've heard rumors
10 that we will be running less than that. The plan as indicated
11 in the application is that we're going to run five days a week.
12 We may run some days depending on the horse population with
13 fewer races than the -- than some of the days, the comparative
14 days from -- from last year.

15 One thing for certain that we're planning on doing is
16 on our traditional Fridays, the four or five Fridays in the
17 past when we've run out of daylight, typically the last three
18 Fridays of the race meet we have gone to a 3:30 first post. So
19 our 4 o'clock Friday is a 3:30 Fridays in order to run 8 races.
20 What we are going to do for the last three Fridays of this meet
21 ahead of time is continue with the four o'clock first post but
22 run seven races on those last three Fridays.

23 CHAIR BRACKPOOL: Do I have any other questions?
24 Commissioner Rosenberg.

25 COMMISSIONER ROSENBERG: I just have one question.

1 It's not for a long-term question. It's a short-term question.

2 The lease for the Del Mar, it's the 22nd Agricultural
3 District, if there was -- well, there's -- there's talk of a
4 lawsuit being filed -- I've been reading some of the local
5 papers down there -- by the -- a number of the cities, I guess
6 the 22nd District. Does the lease, the long-term lease protect
7 you? And I don't know how long. It was three years or five
8 years. Does that protect you in the event of the change of --

9 MR. HARPER: Well, let me -- let me address that,
10 Commissioner Rosenberg. Our lease with --

11 CHAIR BRACKPOOL: Name for the --

12 MR. HARPER: Yeah. Joe Harper, again. Our lease
13 with the -- with the State of California of is a 5-year lease
14 with -- well, actually it's 20-year lease with 3 5-year re-
15 openers, renewal options at -- at the state option. If there
16 is a sale of the property then we still are protected in that
17 we will always have a meet to run before the sale is -- it
18 would happen. So we protected ourselves. We're not -- we
19 don't want to end a meet, pay our rent, and have the place sold
20 and still have, obviously, obligations. So we are protected,
21 that we feel we are. So --

22 CHAIR BRACKPOOL: Thank you. Before I get to public
23 speakers, any other questions?

24 The first public speaker, Jerry Jamgotchian.

25 MR. JAMGOTCHIAN: On number five of the application

1 it talks about average daily purse. Prior meet actual was
2 527,000. Current meet estimate is 568,000, taking -- rounding
3 off. What percent of that increase is actually from the 1072
4 money? Was that actual increase or is that just money that was
5 received through the 1072 bill?

6 MR. ERNST: Mike Ernst. I'm the chief financial
7 officer for the Del Mar Thoroughbred Club. And the purse
8 projections that were submitted in the license application are
9 based on our projection for the mix of handle. That includes
10 the 1072 takeout. We really can't breakout what portion of
11 that is -- is for 1072. And so there's a contract, ITW, out-
12 of-state brick and mortar, ADWs, so many different factors.

13 MR. JAMGOTCHIAN: Okay. Would you agree that the --
14 the prior meet total of 527 is actually higher than the current
15 meet estimate without the 1072 money?

16 MR. ERNST: Certainly a large portion of the
17 increases is a result of 1072.

18 MR. JAMGOTCHIAN: So actually, if you look at this
19 the purses might have gone down.

20 Additionally, with regards to something that always
21 concerns me and the Board's ignorance of the racing fan, each
22 year Del Mar on opening day increases its admission and parking
23 and everything else exorbitantly, I mean 300 percent, 200
24 percent, 100 percent. It's kind of abusive to the customer. I
25 know the Board just looks the other way.

1 But if you look at their application the general
2 parking increased from \$8.00 to \$10.00. Now I don't know how
3 that helps the -- the consumer. Additionally, the Stretch Run
4 admission is \$10.00 on opening day and \$6.00 during the meet.
5 How does that help the consumer? The clubhouse admission is
6 \$20.00 on opening day and \$10.00 for the rest of the days.
7 That's not helpful. The reserve seating is \$15.00 on opening
8 day but \$5.00 during the meet. Reserved seating in the
9 clubhouse is \$15.00, but \$5.00. And then on top of that, if
10 Del Mar then reduces its days, which it will eventually, are
11 these people that buy box seats for \$1,150 going to get any
12 kind of rebate or credit?

13 I think you have an obligation as Commissioners to
14 consider the racing fan. When the racing fan is getting hit
15 with these abusive fees on opening day it doesn't give them the
16 opportunity or the desire to come back to Del Mar, and I think
17 you should consider this. I know it's important to Joe and I
18 know he needs to make money at this race track. But I don't
19 think -- especially when Stockton shows you that the more
20 people that come to the races the better. They sell more hot
21 dogs. They sell more liquor. But in this particular case this
22 is abusive, in my opinion.

23 Additionally, with regards to this head-to-head bet,
24 I wanted to know if -- if the chief counsel for the CHRB has
25 made sure that this head-to-head bet complies with existing

1 CHRB rules.

2 MR. MILLER: Yes.

3 MR. JAMGOTCHIAN: It does? Okay. So you have an
4 opinion in that regard.

5 Secondly, if I'm an owner and I have a race that Tom
6 selects my horse to race in, why isn't the owner getting
7 something?

8 EXECUTIVE DIRECTOR BREED: Mr. Jamgotchian, you've
9 got 30 seconds.

10 MR. JAMGOTCHIAN: Thank you. I hope you're enforcing
11 that rule with everybody that speaks here, Mr. Breed. I will
12 be watching my clock.

13 EXECUTIVE DIRECTOR BREED: We are doing the clock.

14 MR. JAMGOTCHIAN: Okay.

15 EXECUTIVE DIRECTOR BREED: Yes.

16 MR. JAMGOTCHIAN: That's fine. Okay. So would --
17 would Del Mar please explain why the owner of those two race
18 horses shouldn't get something for the additional generation of
19 handle that they're bringing to this race track. I think
20 it's -- it's -- I think it's a good idea. It needs some work.
21 But more importantly, as a stakes owner and a stakes race I
22 think the owners of these horses should be considered for some
23 kind of inducement. Thank you.

24 EXECUTIVE DIRECTOR BREED: Thank you. Next speaker
25 this subject, Richard Castro.

1 MR. CASTRO: Chairman, Commissioners, my name is
2 Richard Castro, and I'd like to question three areas of this
3 application.

4 First, I'd like to say we do support the application.
5 But I would strongly encourage the Del Mar Thoroughbred Club to
6 read our collective bargaining agreement that we have with
7 them, especially as it relates to these wagers.

8 Number two, I haven't heard anything about Del Mar
9 that's dot com. I'd like to hear an update on that.

10 Number three, I have a 15-year-old foster child who
11 is extremely sharp. He's a computer wizard. I'd like to know
12 how Del Mar is going to be able to police him. I've got five
13 cell phones. I've got two on me right now. When he takes my
14 phone and he makes a wager, how are you going to police that?
15 He's 15 years old. Thank you.

16 CHAIR BRACKPOOL: I guess before we get to responding
17 to those of Commissioner Israel, we should respond to the
18 previous speaker's question.

19 VICE CHAIR ISRAEL: The -- the answer to the question
20 is parking and ticket pricing is sensitive to the law of supply
21 and demand. It's the purest form of capitalism, and I believe
22 in capitalism.

23 CHAIR BRACKPOOL: Thank you. More for the record.

24 VICE CHAIR ISRAEL: Actually, I do have -- I do have
25 one question. You -- you haven't raised the general admission

1 parking price in how long?

2 MR. DADO: Years. A few years. If I may, Craig
3 Dado, Del Mar Thoroughbred Club. Jerry brings up a lot of good
4 points. And I want to say on opening day we have -- we have
5 increased our attendance every year for the last five years.
6 The last three years have been every year the all time
7 attendance record at Del Mar.

8 On opening day we definitely have two distinct target
9 markets that come to the races. We have the race players, and
10 we have the people who are there for social reasons, to wear a
11 big hat, to have a couple Del Margaritas, to have a good time.
12 Therefore, we have a pricing structure that speaks to both.

13 So the people who are not sensitive to prices, the
14 people who come once a year on opening day, we do increase the
15 prices. However, we want to take care of our regulars, and
16 therefore we have over 110,000 people in our dining club. If
17 you're a dining club member on opening day you pay \$3.00 to get
18 in to the -- to the general admission, you pay \$5.00 to get in
19 the clubhouse. That is the same house every day during the
20 meet. Those people do not pay a penny more.

21 VICE CHAIR ISRAEL: You don't have to apologize for
22 it. A regular season NFL game does not cost the same as a
23 Super Bowl game, and opening day happens to be your Super Bowl.
24 And that's just the way it is in sports, and it's the way it
25 should be. When the demand is high the price is raised

1 commensurately and doesn't necessarily become abusive. It's
2 that's simple. I

3 COMMISSIONER CHOPER: The whole airline pricing
4 structure.

5 VICE CHAIR ISRAEL: Right.

6 COMMISSIONER CHOPER: It's very sophisticated. The
7 problem is are they not doing enough good with it.

8 CHAIR BRACKPOOL: As far as the response to Richard
9 Castro, obviously we're not going to sit here and opine on your
10 agreements with them. That's something you'll look at. We
11 only ask you to look at. But his two specific questions were
12 the status of DelMarBets.com and the policing of minors using
13 cell phones to bet.

14 MR. RUBINSTEIN: Josh Rubinstein, Del Mar
15 Thoroughbred Club.

16 Regarding DelMarBets, it will be discontinued on June
17 30th of this year. So if you have a DelMarBets account it will
18 be transferred over to XpressBet, which is the white label ADW
19 company that we used.

20 And regarding underage folks signing up for a mobile
21 account, we will ID folks. You need to actually meet with a
22 280 clerk to deposit money. So if there's any issue that the
23 patron does not look over 18 we will definitely see ID.

24 CHAIR BRACKPOOL: Let me just ask you a question on
25 that. How -- how do you physically deposit money on -- on

1 this? Do you go give them the credit card, you give them cash,
2 and they give you a credit on the phone? How does it work?

3 MR. RUBINSTEIN: It's cash. They need to be on-
4 track, show up at any deposit window -- or, excuse me,
5 information window. We have six throughout the facility. And
6 we'll issue a card. You'll put in a pin number, and basically
7 you're off. So you will deposit money directly with that 280
8 clerk. And if you want to take out money you will have to go
9 back to that 280 clerk.

10 CHAIR BRACKPOOL: So it's really the same as making a
11 bet?

12 MR. RUBINSTEIN: Correct.

13 VICE CHAIR ISRAEL: It's the same as using one of
14 those computerized teller machines?

15 MR. RUBINSTEIN: Right. Exactly.

16 VICE CHAIR ISRAEL: Okay.

17 CHAIR BRACKPOOL: Correct. Correct. Okay. I don't
18 see any further questions from Commissioners. Do I have a
19 motion to -- to approve this application --

20 VICE CHAIR ISRAEL: So moved.

21 CHAIR BRACKPOOL: -- for this meet?

22 VICE CHAIR ISRAEL: So moved.

23 COMMISSIONER MOSS: Second.

24 CHAIR BRACKPOOL: Moved by Commissioner Israel.

25 Seconded by Commissioner Moss. All in favor?

1 ALL COMMISSIONERS: Aye

2 CHAIR BRACKPOOL: Have a good meet. Thank you. Next
3 item, number five --

4 VICE CHAIR ISRAEL: And I think we should make note
5 of how much innovation you accomplished just as Fravel left.

6 CHAIR BRACKPOOL: Item number five, discussion and
7 action by the Board on the application to conduct a horse race
8 meeting of the Humboldt County Fair at Ferndale, commencing
9 August 12th, 2011 through August 21st, 2011.

10 Who do we have from Humboldt to present this?

11 VICE CHAIR ISRAEL: Jackie's ready to tell us.

12 MS. WAGNER: Jackie Wagner, CHRB staff. The Humboldt
13 County Fair has submitted their application. And they're going
14 to be running August 12th through the 21st. This is eight
15 days, the same number of days that they ran in 2010. They're
16 going to be racing Friday through Sunday the first, and
17 Wednesday through Sunday the second week. There will be eight
18 races on Wednesdays, Thursdays, Fridays, and nine races on
19 Saturday and Sunday. Their post time is 2:15 p.m. We have
20 received all the documents. We are still waiting for the fire
21 clearance. And we have a representative here.

22 Staff would recommend that the Board approve the
23 application conditioned upon getting the fire clearance.

24 VICE CHAIR ISRAEL: Anything you'd like to say, sir?

25 MR. TITUS: I have nothing to add, nothing exotic

1 as -- as Del Mar has just explained. But hoping for --

2 EXECUTIVE DIRECTOR BREED: State your name.

3 MR. TITUS: -- a successful meet.

4 EXECUTIVE DIRECTOR BREED: Mr. Titus, state your
5 name.

6 MR. TITUS: Stuart Titus, General Manager, Humboldt
7 County Fair.

8 CHAIR BRACKPOOL: Commissioner Harris.

9 COMMISSIONER HARRIS: Just to clarify, so the first
10 week you will be overlapped with Santa Rosa, but suddenly in
11 the second week you're not lapped right over?

12 MR. TITUS: The first week we'll overlap by Santa
13 Rosa. The second week, through an agreement with Golden Gate
14 Fields, Golden Gate Fields will run -- will be dark on
15 Wednesday and Thursday, providing us with post opportunities on
16 those two days. And then in addition to that Golden Gate
17 Fields has agreed to share host fees 50-50 on Friday of that
18 week. And then their racing will commence on that Friday, and
19 they'll have host status for 50 percent of Friday and Saturday
20 and Sunday.

21 VICE CHAIR ISRAEL: Okay. I just have one question.
22 Your purses, Stuart, are flat, the same as last year.

23 MR. TITUS: Correct.

24 VICE CHAIR ISRAEL: And so you're not impacted
25 beneficially by 1072 in any way?

1 MR. TITUS: That I'm not sure. I don't think so.
2 With -- with the overlap status both weeks it really becomes a
3 matter, and this will be the final year this will be the case,
4 it becomes a matter of how -- how much supplemental purses we
5 will use or how -- how little, depending on the handle. I'm
6 not sure as to the specific impact of -- of --

7 CHAIR BRACKPOOL: Commissioner Choper.

8 COMMISSIONER CHOPER: Have the betting -- the betting
9 structures for the fairs all been developed by the California
10 Fairs Association, the uniform -- uniform type of bet and
11 everything; right?

12 MR. TITUS: That's my understand, yes.

13 CHAIR BRACKPOOL: John, anything else?

14 COMMISSIONER HARRIS: The supplemental -- well, this
15 is probably for another day, but I really don't understand how
16 that whole supplemental purse fund works. But basically this
17 year you're not really generating as much in commissions and
18 purses as you did last year relative to the whole overlap
19 issue, but I guess you'll have to cross that bridge when you
20 get to it.

21 MR. TITUS: Yes. We -- the fairs will be using a
22 consolidated purse program once again this year. And we think
23 that the estimates that have been established for Humboldt will
24 be sufficient to -- to offer and pay the purses that we have
25 included in the license.

1 CHAIR BRACKPOOL: As I see no further comments, do I
2 have a motion to approve the meet, John?

3 COMMISSIONER HARRIS: I'll move.

4 CHAIR BRACKPOOL: Commissioner Harris motioned to --
5 to approve.

6 COMMISSIONER CHOPER: Second.

7 CHAIR BRACKPOOL: Second by Commissioner Choper. All
8 in favor?

9 ALL COMMISSIONERS: Aye.

10 CHAIR BRACKPOOL: Have a good meet.

11 MR. TITUS: Thank you very much.

12 CHAIR BRACKPOOL: Oh, sorry, before you leave, I was
13 just handed a speaker card. I didn't realize it was for this
14 item. Speaker Marc Goodwin. I trust it's on point with
15 Humboldt County Fair.

16 MR. GOODWIN: Yes, very definitely. I just wanted to
17 point out for --

18 CHAIR BRACKPOOL: Name and affiliation --

19 MR. GOODWIN: Excuse me.

20 CHAIR BRACKPOOL: -- for the record.

21 MR. GOODWIN: Marc Goodwin, Marc Goodwin Insurance
22 Services.

23 You may not have to even consider these requests for
24 Humboldt County, Alameda County, all these little fairs next
25 year. Because the trainers that race at those fairs are the

1 very trainers that are going to go out of business if you don't
2 take action and consider your responsibility as the CHRB in
3 your oversight of the CTBO, the TOC, the CTT, the CHSA, to
4 promote the legislation that was adopted back in 2002 to
5 provide a subsidy to ease the burden of workers compensation
6 costs on small trainers.

7 If you don't oversee that and don't take your
8 responsibility and look at the data that I provided you're
9 going to lose hundreds of trainers and -- over time. And it's
10 really a shame because the intent of the legislation -- I'm
11 sorry if I'm putting you to sleep -- the intent of the
12 legislation was to help trainers stay in business to prevent
13 the outflow of horses from the State of California.

14 And I just wanted to make that comment that many of
15 these trainers will be going away. The emerging breeds, the
16 mules, the Arabs that you also have responsibility for, these
17 people have contacted me. And if we had side-by-side workers
18 compensation programs that are available to all trainers the
19 emerging breeds would have been able to come into our program,
20 without a subsidy, mind you, but at less than half of what the
21 state fund charges them.

22 CHAIR BRACKPOOL: Yeah. Mr. Goodwin, this is along
23 the lines of -- of what you said in -- in public comment. I
24 will just say that this Board has had submissions from the CTT,
25 the organization that represents the trainers, that states they

1 are very satisfied with the new arrangements.

2 So I'm going to ask Alan Balch of CTT just to stand
3 up and clarify that position, because I don't think it's
4 appropriate for -- for that just to be left hanging in the air
5 when we have a completely contradictory position for the
6 organization that represents the very people you're saying are
7 about to flee.

8 MR. GOODWIN: Nor do I.

9 CHAIR BRACKPOOL: If I may ask Alan Balch to step
10 forward.

11 MR. BALCH: Alan Balch, CTT. Chairman Brackpool,
12 you've stated our position correctly. The California
13 Thoroughbred Business League represents all the constituencies.
14 CTT is a part of it. TOC, the associations. We've had a good
15 relationship with Mr. Goodwin for the last year.

16 We invited his bid, along with others, on the workers
17 comp program in May. The Finish Line Self Insurance Group is
18 clearly on any criteria that we can see the far superior cost
19 program for the great vast majority of trainers. And I don't
20 know where Mr. Goodwin came up with his numbers he presented to
21 you this morning, but the sign-ups for Finish Line are going
22 very well at the fairs, as well as at Golden Gate, Hollywood
23 Park, Santa Anita. We expect no problems in the transition.
24 Anybody that has a hardship case, we've asked them to contact
25 either CTT or preferably Finish Line Self Insurance Group.

1 CHAIR BRACKPOOL: Commissioner Choper.

2 COMMISSIONER CHOPER: Do you have any reason to
3 believe that it's going to have an impact, an adverse impact
4 depending on the size of the trainer, small trainers?

5 MR. BALCH: Yes. Finish Line has developed a
6 differential on the per stall day, per stall per day rate for
7 large versus small trainers. Some very small trainers may be
8 disadvantaged by the Finish Line program, and each one of those
9 trainers, there was a meeting yesterday at Pleasanton. And
10 each one of those trainers have been invited to individually
11 contact Finish Line to see if there's a methodology that could
12 help in the Finish Line program. Of course, they all have
13 other options, too, California State Fund or anything Mr.
14 Goodwin wants to offer, as well.

15 What this is really an argument about, to the extent
16 there is an argument, is Mr. Goodwin would like subsidy from
17 the fund. And so far there's been no evidence presented that
18 that's a realistic proposal.

19 CHAIR BRACKPOOL: Thank you, Mr. Balch. So that
20 concludes the -- the public speaker portion of this.

21 So once again we go back. We had a motion to approve
22 the -- the fair by Commissioner Harris.

23 VICE CHAIR ISRAEL: Seconded by --

24 CHAIR BRACKPOOL: Seconded by Commissioner Choper.

25 All in favor?

1 ALL COMMISSIONERS: Aye.

2 CHAIR BRACKPOOL: The meet is approved. Have a good
3 meet. Thank you.

4 MR. GOODWIN: May I respond?

5 CHAIR BRACKPOOL: This is not a back and forth at the
6 moment. If you wish to make a submission we'd be more than
7 happy to take that.

8 MR. GOODWIN: I will. Thanks.

9 CHAIR BRACKPOOL: Item number six, discussion and
10 action by the Board on the application for a license to conduct
11 a horse race meeting of the California Exposition and State
12 Fair Harness Association at Cal-Expo, commencing August 26th,
13 2011 through December 17th, 2011, inclusive.

14 And, Jackie, lead us away on this.

15 MS. WAGNER: Jackie Wagner, CHRB staff. As the
16 Chairman indicated, this is the application from the California
17 Harness, Cal-Expo. They're proposing to race August 26th
18 through December 17th. This is 47 days. This is seven days
19 less than it raced during the same period in 2010. They will
20 be racing three nights per week, Thursday through Saturday each
21 week, with the exception of Thursday, September 1st, September
22 8th, and November the 24th. Their post time is 5:30 p.m. on
23 Thursdays. They will have a 6:00 p.m. post on Fridays and
24 Saturdays. Their advance deposit wagering providers are
25 XpressBet, Twinpires and TVG.

1 We have received all the documents needed for this
2 application, and staff recommend that the Board approve the
3 application.

4 CHAIR BRACKPOOL: Do we have any comments from
5 Commissioners?

6 COMMISSIONER DEREK: I'd just like to thank you again
7 for making your house rule on the whip changing -- change rule.
8 I see that it's being enforced. And it's -- the nature of
9 driving, it's probably a hardship on your drivers. And I want
10 to thank you for taking the initiative.

11 MR. ELLIOTT: Thank you very much. Dave Elliott,
12 Cal-Expo.

13 CHAIR BRACKPOOL: Commissioner Rosenberg?

14 COMMISSIONER ROSENBERG: Yes. Prior to the meeting
15 Mr. Roberts told us -- told me that they -- why don't you just
16 explain about the scoring. We were worried about the -- the
17 odds board malfunctioning. And they are going to go ahead and
18 make a purchase.

19 MR. ELLIOTT: Yes. At -- at the last meeting, of
20 course, at great length there was -- we discussed some of the
21 problems that we, Cal-Expo, were having, and Sportech were
22 having with the existing tote board. We have worked out an
23 agreement with Sportech. We are going to invest about \$70,000
24 into our structure, our tote board structure, which will
25 include fiber runs, the new LED boards, a video board, total

1 reface of our tote board, signage. I have a huge list. We are
2 making every single effort to get all of this done before our
3 live state fair meet begins on July 14th. We just ended our --
4 we just ended our harness meet last Saturday night.

5 As regarding the process, the window for error
6 started shrinking significantly on getting it. It's not just
7 an overnight deal to do all of this work. The window started
8 shrinking significantly. So what we've agreed to do with
9 Sportech, and they're fine with it, as well, is we're going to
10 go ahead and open up all our brand new signage on our old tote
11 board right now to gussy it up for the nine days of the live
12 racing fair. And as soon as July 25th comes around, then at
13 that point we will have a four-week window to tear everything
14 out. Sportech comes -- Sportech comes in and puts in all new
15 LEDs. We run the fiber, we do all of that work, and we get it
16 done before the opening of August 26th full harness meet.

17 COMMISSIONER CHOPER: I notice that there's a \$5,500
18 item in the budget, contract for what says "the Cal-Expo State
19 Fair storage." The reason for -- anyway, that's for the
20 equipment that you're having problems with there?

21 MR. ELLIOTT: No, sir. That is the -- that is the --
22 help me out, Mr. Breed, the secondary -- the blood tests.

23 EXECUTIVE DIRECTOR BREED: Mr. Choper, the -- the
24 item that you refer to in the -- in the contracts is our
25 storage unit. We're replacing the existing storage unit with a

1 new storage unit for the drug samples, the --

2 COMMISSIONER CHOPER: I see.

3 EXECUTIVE DIRECTOR BREED: -- the split samples --

4 COMMISSIONER CHOPER: I got it.

5 EXECUTIVE DIRECTOR BREED: -- for the whole state.

6 And we rent space from Cal-Expo for that.

7 COMMISSIONER CHOPER: I see.

8 MR. ELLIOTT: It's actually a location that Mr. Breed
9 can see from his office on our grounds.

10 COMMISSIONER CHOPER: One of the problems, was it
11 not, about the tote machine failure was the temperature for the
12 equipment. Am I just off point about this or --

13 MR. ELLIOTT: No -- no sir.

14 COMMISSIONER CHOPER: -- it got hot?

15 MR. ELLIOTT: No. I'm -- I'm going to imagine
16 that -- I can't speak for Sportech -- but I'm going to imagine
17 that at times there may have been a problem with their
18 equipment with heat. I'm -- I'm not a technical person.

19 COMMISSIONER CHOPER: No. That's fine.

20 MR. ELLIOTT: We are running fiber. All of that goes
21 away. We're -- we're very optimistic. We're very happy to put
22 this behind us and get forward on the project.

23 COMMISSIONER CHOPER: Thank you.

24 COMMISSIONER HARRIS: Where --

25 CHAIR BRACKPOOL: Commissioner Harris.

1 COMMISSIONER HARRIS: Where do the harness horses go
2 when you don't have your racing there? Is there -- when
3 there's no other circuit do they just stay at Cal-Expo and go
4 to farms --

5 MR. ELLIOTT: We --

6 COMMISSIONER HARRIS: -- or what?

7 MR. ELLIOTT: We lost -- there were probably this
8 year less than years previous. About mid-May we lost probably
9 around 60 to 75 horses. They went to Vernon, they went to
10 Running Aces in Minnesota, Pompano, the -- you know, some of
11 the horses, they left.

12 The -- this will be the third year where we will
13 actually house harness horses in a quadrant of our barn area
14 that's totally segregated from the thoroughbreds, and we have a
15 backtrack. The thoroughbreds can't use the back track. The --
16 the harness horses use this back track. It's a little quarter-
17 mile track. A lot of guys rest, and they'll start jogging up.
18 You know, but it's two -- it's basically a segregated area.
19 But we house. They used to go to Stockton or Vallejo, but we
20 house them now.

21 COMMISSIONER ROSENBERG: Do they pay stall rent?

22 MR. ELLIOTT: No, sir.

23 CHAIR BRACKPOOL: Do I have a motion to approve the
24 application for the fair?

25 COMMISSIONER CHOPER: Moved.

1 CHAIR BRACKPOOL: Motion by Commissioner Choper.

2 COMMISSIONER ROSENBERG: Second.

3 CHAIR BRACKPOOL: Second by Commissioner Rosenberg.

4 All in favor?

5 ALL COMMISSIONERS: Aye.

6 CHAIR BRACKPOOL: Have a good meet.

7 MR. ELLIOTT: Thank you.

8 CHAIR BRACKPOOL: Item number seven -- they should
9 make this item shorter by name -- discussion and action by the
10 Board regarding the request to modify the distribution of
11 market access fees from the ADW as permitted under Business and
12 Professions Code section 19604(f)(5)(E) for wagering conducted
13 by thoroughbred associations, and discussion and action by the
14 Board regarding the request to modify the distribution of
15 takeout as permitted by Business and Professions Code section
16 19605.7(a)(2)(A) for wagering conducted by the thoroughbred
17 associations in the northern zone.

18 And if anybody is still awake after that I will be
19 amazed. Go ahead.

20 MS. WAGNER: Jackie Wagner, CHRB staff. This is a
21 request that is very similar to what the Board heard last June
22 in 2010. The parties came before the Board at that time and
23 requested a modification on the distribution pursuant to --

24 CHAIR BRACKPOOL: A little closer to the microphone,
25 Jackie.

1 MS. WAGNER: -- pursuant to the business -- Business
2 and Professions Code, and that you last year, the Board,
3 approved that request for the modification with an effective
4 date through July 1, 2010 running through June 30th, 2011. The
5 request that you have before you is very similar to the request
6 that was before the Board in 2010.

7 CHAIR BRACKPOOL: Who is here on behalf of SCOTWINC
8 and NOTWINC to present this item?

9 COMMISSIONER ROSENBERG: No one?

10 CHAIR BRACKPOOL: Who -- who is here to present this?

11 MR. LIEBAU: I am here. My name is Jack Liebau. And
12 Mr. Fravel and Mr. Korby are here with me on behalf of
13 SCOTWINC. This is a redirection of ADW handle, which is
14 permitted under the law. All the interested parties have
15 signed it, and we're asking for your approval. It's an
16 extension of an agreement that it -- that it terminates on June
17 30th and is necessary for the continued funding of SCOTWINC and
18 NOTWINC.

19 CHAIR BRACKPOOL: You know, when we heard this issue
20 over several meetings last year and we finally came up with
21 this proposal, which we approved, we got to it in a rather
22 tortured fashion, because we got to it by trying to debate what
23 the ongoing role of SCOTWINC should be, how we were going to
24 do. And part of the resolution at the time going and reading
25 the transcripts was that we would spend time during this --

1 this period, this last year, trying to actually figure out, was
2 there an ongoing budget for SCOTWINC, was there an ongoing role
3 for SCOTWINC, how are we going to fund this.

4 What we're being asked to do here is just continue
5 the approval that we haven't received a presentation --

6 MR. LIEBAU: Well --

7 CHAIR BRACKPOOL: -- on any of those reorganizations.

8 MR. LIEBAU: First of all, the -- the reorganization
9 is continuing. There's a committee that has been formed that's
10 made up of Gina Lavo from -- from Santa Anita, and Bernie
11 Thurman, Guy Lamothe and Mike Ernst, and they are diligently
12 working on improving the accounting.

13 I think that -- and Jackie can correct me if I'm
14 wrong, but I think that there has also been some work that's in
15 process with respect to requirements of the maintenance of the
16 individual satellite facilities. So that -- that has been --

17 MS. WAGNER: Yes.

18 MR. LIEBAU: -- going on, too.

19 This amendment is essential for the continued
20 operation of the off-track wagering sites in both Southern
21 California and Northern California, and I would urge its
22 approval.

23 CHAIR BRACKPOOL: I have several questions before we
24 get to approval. But I can start off with Commissioner
25 Rosenberg, and then I have Commissioner Choper.

1 Maybe, Jack, you guys could take a seat. I know
2 people are appearing behind you, but you can come down here and
3 use this microphone here, Jack.

4 And the same with you, Chris, if you're going to
5 speak on this.

6 Go ahead, Richard.

7 COMMISSIONER ROSENBERG: My question is, you
8 mentioned this committee, but is there -- is there one person
9 among the board of directors or whomever manages SCOTWINC who
10 runs that? Is there a chief executive? You know, I know Mr.
11 Fravel, I believe was technically, reluctantly probably, the --
12 that person.

13 MR. LIEBAU: Well, SCOTWINC itself is a limited
14 liability or a limited partnership. And a general partner of
15 SCOTWINC is a corporation called SCOTWINC, Inc. that has a
16 board of directors and has officers. And as in any business of
17 that nature it's usually a limited liability or a partnership
18 entity. It's run by the general partner.

19 COMMISSIONER ROSENBERG: And who is the general
20 partner?

21 MR. LIEBAU: The general partner is a corporation
22 named SCOTWINC, Inc., in which all tracks in Southern
23 California and the horsemen own share in, 3,400 shares divided
24 up among them based upon their handle years ago.

25 COMMISSIONER ROSENBERG: But with the -- almost \$5

1 million budget for salaries, isn't there one person who is
2 charge?

3 MR. LIEBAU: They're by -- yes. Mr. Fravel is the
4 president of the corporation. And most of that salary is for
5 mutuel clerks that are employed by SCOTWINC. There is the --
6 the staff of SCOTWINC over the last couple of years has been
7 reduced, and their -- the obligations of the employees have
8 been -- some of them have been shifted to the tracks. For
9 instance, as far as risk management is concerned that chore has
10 been taken on by a person at Del Mar.

11 CHAIR BRACKPOOL: But -- but going to Commissioner
12 Rosenberg's point, then I've got to get to Commissioner Choper,
13 but going to Commissioner Rosenberg's point, how many of the
14 employees or how much of that wage bill is passed through, I
15 mean, virtual employees as opposed to how many people are
16 actually running the SCOTWINC entity itself?

17 MR. ERNST: Mike Ernst, Del Mar Thoroughbred Club.
18 Currently on the administrative staff at SCOTWINC we have a
19 controller, a staff accountant and an auditor. So it's really
20 just three folks. As Jack mentioned, we've moved the payroll
21 or the risk management function over to an existing staff
22 member at Del Mar. Santa Anita now processes the payroll at a
23 significant savings. So --

24 CHAIR BRACKPOOL: And then who will take over as the
25 CEO in a couple of weeks?

1 MR. ERNST: That's to be determined by the board of
2 directors. And we're going to have a meeting, in which I've
3 just been informed that Mr. Fravel is calling, at which time he
4 is tendering his resignation.

5 CHAIR BRACKPOOL: Not a big surprise.

6 MR. ERNST: No.

7 CHAIR BRACKPOOL: No.

8 MR. ERNST: Okay.

9 CHAIR BRACKPOOL: Commissioner Choper.

10 COMMISSIONER CHOPER: Is it a fair characterization
11 of this situation to say this, that the people whose money is
12 being diverted from the ADW funds are the people who are paying
13 for this, and they've all agreed that they're willing to pay
14 for it?

15 MR. ERNST: Absolutely.

16 COMMISSIONER CHOPER: Which also provides, I guess, a
17 pretty strong incentive to approve the situation to the extent
18 that it can be approved.

19 MR. ERNST: We're in the process of doing that. The
20 problem has been that historically there's been two percent
21 that's taken -- been taken out of off-track handle that when
22 the -- both, either SCOTWINC or NOTWINC, depending on where the
23 facility was, whether it was in the northern zone or the
24 southern and central zones.

25 And that money for numerous years, for probably 20

1 years was more than sufficient to run those operations. But
2 with the escalation of costs it's proved that it hasn't been,
3 and that has brought on this reorganization of both SCOTWINC
4 and NOTWINC. And they're really pretty slimly manned. I think
5 in my recollection is that NOTWINC probably has one full-time
6 employee in the north. And, you know, the -- the other things
7 have been parceled out to the track because of the economics of
8 the situation.

9 CHAIR BRACKPOOL: Commissioner Rosenberg.

10 COMMISSIONER ROSENBERG: I just have one more
11 question on this subject, and that is the -- the NOTWINC part
12 of this has always been on a higher deficit than -- than
13 SCOTWINC, the Southern California part. I see a projected
14 deficit of \$830,000 for this year, assuming that the funding is
15 extended. What's the long term? I don't know if you're
16 responding on behalf of NOTWINC or SCOTWINC.

17 MR. LIEBAU: No, I'm not.

18 COMMISSIONER ROSENBERG: So no one is here from
19 NOTWINC?

20 MR. LIEBAU: NOTWINC used to be my problem, Mr.
21 Rosenberg, but it's not anymore.

22 MS. LAVO: Gina Lavo. I'll speak to that. I've
23 worked with NOTWINC to get these projected numbers. And we
24 actually did build in that deficit into these numbers. And
25 assuming that race dates hold and handle hits our targets, by

1 the end of June 30th all past deficits and current deficits
2 should be covered.

3 COMMISSIONER ROSENBERG: So it's projected deficit?
4 It's a projected deficit as of 12/31/2011 of 830,000?

5 MS. LAVO: Yeah. Part of -- part of that 800 at
6 12/31 has already been absorbed. I believe at the end of May
7 they were somewhere around 550,000, 600,000. So, you know,
8 that's what we built into this model.

9 VICE CHAIR ISRAEL: Can I -- is -- is liquidating and
10 decentralizing a viable alternative that will result in a
11 savings so we won't have to go through this emergency funding
12 situation every six months?

13 MR. LIEBAU: Well, I think the -- the -- the
14 emergency funding is being provided by those that have a direct
15 interest in keeping these sights open and available. I mean,
16 you know, as -- as things go in California that the offsite
17 facilities actually produce more handle than the onsite
18 facilities.

19 VICE CHAIR ISRAEL: No, I understand that. I guess,
20 is there a better way to run them?

21 MR. LIEBAU: We're --

22 VICE CHAIR ISRAEL: Is -- is --

23 MR. LIEBAU: We are --

24 VICE CHAIR ISRAEL: Can you --

25 MR. LIEBAU: We are always --

1 VICE CHAIR ISRAEL: Can --

2 MR. LIEBAU: -- trying to do that. And we're in --
3 we have, over the last year or so, made major changes in --

4 CHAIR BRACKPOOL: You're saying the -- the committee
5 has got an ongoing task --

6 MR. LIEBAU: They -- they have --

7 CHAIR BRACKPOOL: -- trying to do that?

8 MR. LIEBAU: -- ongoing tasks. We have brought in
9 CRIMS to -- to try to help with the accounting because of their
10 expertise in that area. And as Mike Ernst said, I mean,
11 there's things that have been parceled out in order to save
12 money. And like risk management went to Del Mar. Payrolls
13 went to Santa Anita. And everyplace that we could make savings
14 we are doing it, because it's in our economic interest of both
15 the tracks and the horsemen to make these changes.

16 CHAIR BRACKPOOL: Right.

17 MR. ERNST: And if I can add something to Jack's --
18 Jack's comments is these are some costs involving the -- to
19 cover the administration of SCOTWINC. But all of the wagers at
20 the ADW satellite, they're the only funding for the stabling
21 and vanning program in California. It's the only funding for
22 the workers comp program in California. It's the only funding
23 for the California marketing committee, plus it generates
24 significant commissions and purses.

25 So -- so while there is some supplemental funding

1 that is coming from ADW wagering, the benefits, the rest of the
2 benefits from the satellite network far surpass --

3 VICE CHAIR ISRAEL: I don't have any doubt that
4 satellite networks are essentially. I'm just asking, is there
5 a more efficient way to operate it? Might it work better, or
6 have you considered that the track that is running that meet is
7 responsible for operating the satellite facility during the
8 duration of that meet. And then the responsibility passes on
9 to the next track.

10 MR. LIEBAU: It's better to have continuity, I think.
11 And, you know, that's -- that's the way we -- we -- we've don't
12 it. And not to say that we keep doing it the way we have in
13 the past, but having continuity in the management of these
14 sites is a whole lot better than it going from one track to
15 another --

16 CHAIR BRACKPOOL: Commissioner Harris.

17 MR. LIEBAU: -- and that's in our opinion.

18 COMMISSIONER HARRIS: Yeah. I think we've all got to
19 realize that this funding is -- does fund a lot of other
20 things, the wagering at the satellites, that no one really
21 envisioned originally when the law was passed that the
22 satellite handles would decline and -- and now that the funds
23 just aren't as big as they might be.

24 So I'm not clear if the -- if the model is somewhat
25 broke, or maybe it's as good as any.

1 MR. LIEBAU: Well, I would say that there are a lot
2 of laws in our industry that are broke, and that's just an
3 aside. But, I mean, our --

4 VICE CHAIR ISRAEL: Broken.

5 MR. LIEBAU: Broken?

6 VICE CHAIR ISRAEL: The ones that were broke declared
7 bankruptcy a couple years ago.

8 CHAIR BRACKPOOL: Anyway, moving on. Commissioner
9 Moss.

10 COMMISSIONER MOSS: Yeah. Is there a statement
11 basically around of all the satellite facilities and what they
12 earn? I mean, I've been asking for that for some time.

13 MR. LIEBAU: Well, we -- we -- we do have a statement
14 as to -- that shows the individual profitability or lack of
15 profitability of each satellite facility that takes into
16 consideration the expenses. Now SCOTWINC only is responsible
17 for the wagering activities at the satellites. And of course,
18 the profitability or losses that are incurred by a satellite
19 based upon their handle, I mean, there are certainly, you know,
20 efficiencies that -- that get -- increase revenue.

21 But the problem is that when you look at the -- the
22 individual profitability based on taking the two percent or
23 whatever we're dedicating towards the expense of the pari-
24 mutuel wagering, you really also have to consider all the other
25 things that are over and above just the two percent that goes

1 to operating them. And as I think Mike Ernst ticked off, I
2 mean, the two basic biggest ones are the purses and -- and
3 commissions to the tracks. And then over and above that you've
4 got workers comp, you've got CMC, you've got stabling and
5 vanning. So --

6 CHAIR BRACKPOOL: But -- but I think we were
7 talking -- I think Commissioner Moss is talking more about the
8 presentation of that information. I mean, we get it on the
9 weekly stewards reports where we get that handle for each.
10 But --

11 MR. LIEBAU: Yeah. But we do --

12 CHAIR BRACKPOOL: -- it's not --

13 MR. LIEBAU: -- we do have --

14 CHAIR BRACKPOOL: -- it's not combined. Go ahead
15 Jerry.

16 COMMISSIONER MOSS: Is -- is also, let's say, for
17 example, the Gardena Card Club and -- and the San Clemente
18 satellite facility, is that included in all this --

19 MR. LIEBAU: Yeah.

20 COMMISSIONER MOSS: -- their income, as well?

21 MR. LIEBAU: Yes. They -- the -- the -- from the
22 handle derived --

23 COMMISSIONER MOSS: In future satellites.

24 MR. LIEBAU: -- from those sites you get all of
25 that --

1 COMMISSIONER MOSS: Yeah.

2 MR. LIEBAU: -- into those funds. And the two
3 percent that is taken out of the handle goes to fund the direct
4 operating -- operations of the wagering activities. But I will
5 tell you without a doubt there are some satellites that the two
6 percent covers the expenses and some that it doesn't. But a
7 decision has been made that we're better off keeping those
8 satellites open.

9 CHAIR BRACKPOOL: Right.

10 MR. LIEBAU: Because if you have --

11 CHAIR BRACKPOOL: But just from the Board's
12 perspective, Jackie, how are getting that data without having
13 to compile it ourselves by -- by looking at the individual
14 handle where we get it, to go to Commissioner Moss's point?

15 MS. WAGNER: I believe that's tracked on CRIMS. We
16 can work on trying to get a -- you want a consolidated --

17 MR. LIEBAU: Well --

18 MS. WAGNER: -- report --

19 MR. LIEBAU: -- we --

20 CHAIR BRACKPOOL: Right.

21 MR. LIEBAU: Right.

22 MS. WAGNER: -- that sort of thing? I will work with
23 Jack and try to get that information to -- to the
24 commissioners.

25 COMMISSIONER MOSS: Yeah. I mean, I just wonder if

1 there's a standard necessary, a certain amount of earnings that
2 each sort of satellite holder has to earn or -- or produce a
3 certain amount of promotion in the area for horse racing, or
4 whatever. I know we've talked about this for years. But, for
5 example, if they don't really pay attention to what they're
6 doing and run their business as effectively as they can, can --
7 can we replace that satellite with --

8 MR. LIEBAU: I think that --

9 COMMISSIONER MOSS: -- you know, someone else? You
10 know, that's the question I have.

11 MR. LIEBAU: I -- well, I'll give you one example.
12 In -- in Santa Maria the fair has sort of given up the ship as
13 far as satellite wagering is concerned. And we are opening a
14 new site in Santa Maria that we think is far superior to the
15 ones at the fair.

16 The -- the problem I would point out to you, and I
17 don't know if it's kind of, you know, politically correct or
18 not to point out, but the fairs do have some primary rights
19 that are granted to them under the law, and I think by the
20 Department of Agriculture that -- as to their -- their ability
21 or their right to operate satellite facilities.

22 VICE CHAIR ISRAEL: Did -- do you get accountings?
23 Jack, do you get accounting of ancillary revenue generated or
24 any access to that revenue --

25 MR. LIEBAU: Yeah.

1 VICE CHAIR ISRAEL: -- concessions, marketing, any of
2 that stuff?

3 MR. LIEBAU: Yeah.

4 CHAIR BRACKPOOL: Commissioner Rosenberg.

5 COMMISSIONER ROSENBERG: Yeah. I think we're -- I
6 think Commissioner Moss -- Commissioner Moss's question was not
7 answered. You were talking about the SCOTWINC end of the
8 information as to profitability. But the individual, as I
9 understand it, the individual minisatellites and the
10 satellites, the satellite, they do not report details on their
11 profitability. For example, you don't see tab -- you know,
12 they don't talk to you about how much liquor they sell or
13 anything like that.

14 MR. LIEBAU: No.

15 COMMISSIONER ROSENBERG: And they pay two percent?
16 Is that the amount that they have to contribute or do they get
17 two percent?

18 MR. LIEBAU: They get two. Yes.

19 COMMISSIONER ROSENBERG: Excuse me. They get their
20 two percent?

21 MR. LIEBAU: And it's a two-and-a-half percent
22 expense fund that we get.

23 COMMISSIONER ROSENBERG: So we -- so the answer is we
24 don't really know?

25 MR. LIEBAU: And --

1 COMMISSIONER ROSENBERG: I mean --

2 MR. LIEBAU: Yeah. And we don't -- you know, I think
3 to some extent it would be voluntary if -- if and when they
4 made that available to us.

5 COMMISSIONER ROSENBERG: Do you -- do you -- does
6 SCOTWINC or NOTWINC have a standard deal? If someone wants to
7 open up a minisatellite and eventually gets clearance to do so
8 otherwise in mileage and everything do you have a standard deal
9 as to what SCOTWINC provides to the operator in terms of
10 exactly what they provide, or is negotiable on a case-by-case
11 basis?

12 MR. LIEBAU: No, it's a standard thing. I mean,
13 we're -- we have a statutory obligation to take care of the
14 totalizator system, the -- the labor that's required per
15 wagering that -- a blanket downlink of the -- of the signal.

16 COMMISSIONER ROSENBERG: But not the TV and other
17 things like that?

18 MR. LIEBAU: We provide some TVs. At the fair
19 satellites CARF provides the TVs.

20 CHAIR BRACKPOOL: The one comment that I would have
21 is that earlier this year we licensed the three ADW companies,
22 Twinpires, XpressBet and TVG. And this Board made it
23 perfectly clear that we believe that there are some real
24 changes needed in the whole ADW workings. And therefore, we
25 only extended the ADW licenses for one year, or we extended

1 them through the end of December 2011 with the idea being that
2 a lot of people in this room would get together as a working
3 group and try to come up with resolutions to that.

4 While I understand your point that you're taking
5 money from one hand and putting it in another hand, so it's
6 really your money, I don't think it would be appropriate to
7 have this approval run beyond the current term of the ADW
8 contracts knowing that our intention is to try and change how
9 that works. So it's not to say that there wouldn't be another
10 extension at the time --

11 MR. LIEBAU: Well --

12 CHAIR BRACKPOOL: -- if we license at the time.

13 MR. LIEBAU: -- we -- would like to have it for a
14 year so that the burden is spread equally over all the tracks.
15 And that's why it would be essential for us to have it until
16 June 30th of -- of the --

17 CHAIR BRACKPOOL: But what I don't want to do is have
18 a tail wagging the dog issue when we come to reorganizing the
19 ADWs later on this year, that if we get, you know, agreement on
20 how to do that, that we've then got this -- this tail hanging
21 out there. So how would we handle that?

22 MR. LIEBAU: Well, I think -- I think that it's very
23 clear the tracks and the horsemen have an interest and are
24 motivated to run these sites.

25 CHAIR BRACKPOOL: I'm talking the process.

1 MR. LIEBAU: And -- and -- wait.

2 CHAIR BRACKPOOL: I'm not talking about what your
3 genuine efforts are --

4 MR. LIEBAU: Well, the -- the --

5 CHAIR BRACKPOOL: -- during the process.

6 MR. LIEBAU: The purses is --

7 CHAIR BRACKPOOL: Process.

8 MR. LIEBAU: Oh, the process, yes. But I mean, we
9 don't have complete and total control over these satellites.

10 CHAIR BRACKPOOL: I understand. I understand.

11 MR. LIEBAU: Yeah. And I need --

12 CHAIR BRACKPOOL: We need -- we need somehow to come
13 up with whatever resolution we have here to allow us to make
14 the changes --

15 MR. LIEBAU: Well, that's a legislative --

16 CHAIR BRACKPOOL: -- if we -- if we can --

17 MR. LIEBAU: That's going to be a legislative issue.
18 And --

19 CHAIR BRACKPOOL: Potentially. Let me -- let me go
20 to the speakers on this issue while you guys kick that around
21 for a second.

22 The first speaker on the issue, Jerry Jamgotchian.

23 MR. JAMGOTCHIAN: You know, Chairman Brackpool,
24 Members of the -- the Board, in the -- in the staff report it
25 says,

1 "The Board expressed concern over the future of
2 SCOTWINC/NOTWINC's business model as it did not appear to
3 be sustainable in the current environment."

4 And then further down Chairman Brackpool said that --
5 that you need a five-year business plan. Now that's one of the
6 few things that you and I agree with in that SCOTWINC and
7 NOTWINC we all no don't -- does not work, and the tracks are
8 bonding together to push this down the wagering public's
9 throat. They get a higher --
10 they get a higher takeout that funds this mismanagement of
11 SCOTWINC and NOTWINC.

12 So the CHRB now recognizes a problem. You know that
13 this model doesn't work. You even want a five-year business
14 plan. Now it seems like the CHRB is going to back off because
15 they're not going to force the race tracks to do anything.
16 There's no motivation by the race tracks to reduce and
17 eliminate SCOTWINC if it doesn't work. You guys have admitted
18 that it's not sustainable in the future.

19 COMMISSIONER CHOPER: They're paying for it.

20 MR. JAMGOTCHIAN: Excuse me. I'm not done.

21 COMMISSIONER CHOPER: They're paying for it.

22 MR. JAMGOTCHIAN: I'm not done. I'm not done. You
23 can talk when I'm done. The issue is --

24 CHAIR BRACKPOOL: I'm sorry, what did you just say?

25 MR. JAMGOTCHIAN: I said you can talk when I'm done.

1 I have three minutes; right? So what if --

2 CHAIR BRACKPOOL: You have three minutes.

3 MR. JAMGOTCHIAN: Right.

4 CHAIR BRACKPOOL: But if --

5 MR. JAMGOTCHIAN: So let me say --

6 CHAIR BRACKPOOL: -- somebody on the Board decides to
7 ask you a question or make a statement they have the right to
8 do that.

9 MR. JAMGOTCHIAN: And is -- is he going to continue
10 my time?

11 CHAIR BRACKPOOL: Would you just please carry on?

12 MR. JAMGOTCHIAN: Thank you very much. Okay.

13 With regards to this, the TOC -- the TOC loaned
14 SCOTWINC and NOTWINC \$450,000. They did get their loan
15 refunded. But still, there's no direction for SCOTWINC and
16 NOTWINC. I thought this Board was going to stand up and do
17 something to increase this -- to -- to address this problem.

18 The answer is easy. Number one, you close the
19 unprofitable sites, as simple as that. In fact, when you close
20 the unprofitable sites you release the 20-mile radius
21 restrictions. But if this Board has any clue I'll give you the
22 secret magic bullet. The magic bullet is to require the ADW
23 providers who are paying zero to SCOTWINC and NOTWINC to pay
24 their fair share. Now you can talk all you want. That's fine.
25 Thanks.

1 MR. LIEBAU: Can I just respond to that for a just a
2 moment?

3 CHAIR BRACKPOOL: I'd appreciate that.

4 MR. LIEBAU: I mean, the -- the thing is when he says
5 the tracks have no interest in that or the horsemen have no
6 interest in that, over the years, and it hasn't been too many
7 years ago, SCOTWINC and NOTWINC generated surpluses. And that
8 surplus was then divided between purses and track commissions.
9 So I mean, the tracks and -- and the horsemen have a very true
10 interest in doing this. And it seems, you know, frankly,
11 somewhat absurd here is that we would rather have that money in
12 our pocket than put it into SCOTWINC and NOTWINC. And so we're
13 motivated to run these things as cheaply as we can. But you
14 know, it's --

15 CHAIR BRACKPOOL: I understand. Next speaker, John
16 Bucalo from Barona Casino.

17 MR. BUCALO: John Bucalo from Barona Casino Offtrack
18 Betting.

19 I think there is a problem with trying to run these
20 facilities as cheaply as we can, and that problem is we're
21 diminishing the people who are working there. I notice some of
22 the facilities don't have managers. They don't -- they don't
23 have anybody working there, other than the ticket sellers.

24 And if we're going to promote horse racing in
25 satellite facilities I think that all the managers should be

1 trained to be able to address and develop the players into
2 being more consistent players, and also into maybe wanting to
3 be part of the game by buying horses and so on. But if those
4 people aren't there, such as Orange County Fair which is doing
5 well -- and if you'll notice that those places that are doing
6 well, they all have the same in common. Ask Pomona how they're
7 doing. Free admission. Ask Commerce Card Club -- you all use
8 them as an example -- how they're doing. They have free
9 admission. Ask Barona how they're doing. They're free
10 admission. And you mentioned that -- Mr. Breed, about the
11 up -- the fairs up north giving free admission.

12 I think that we need to make it less expensive for
13 people to go to the races. The races is the place where we
14 develop people, the interest. I mean, there's nothing like
15 being at the track, seeing the horses walking in the paddock
16 all dappled up. The jockeys come out in their silks. The
17 trainers and owners discussing the strategy of the race and
18 the -- the public being able to see that. Let's take people
19 out to the track. Get them out there.

20 But I think that we -- we only see two percent, by
21 the way, as commission. And we have to pay our expenses, all
22 the TVs, all the equipment we pay for. The only thing we don't
23 pay for are the clerks. And I have four staff members,
24 including myself. And on two percent --

25 EXECUTIVE DIRECTOR BREED: Mr. Bucalo, you need to

1 stay on point.

2 MR. BUCALO: Okay.

3 EXECUTIVE DIRECTOR BREED: We're talking about the
4 SCOTWINC.

5 MR. BUCALO: Yeah.

6 MR. LIEBAU: I think that --

7 MR. BUCALO: Well, I was --

8 MR. LIEBAU: Which is -- the point -- it has to be
9 pointed out that as far as managers are concerned that's the
10 front of the end of the satellites, which neither SCOTWINC and
11 NOTWINC --

12 CHAIR BRACKPOOL: I just want Mr. Bucalo to finish.

13 MR. BUCALO: Yeah.

14 CHAIR BRACKPOOL: Because otherwise we'll never get
15 through this. So --

16 MR. BUCALO: Okay. Well, most of them are doing away
17 with those -- these new satellites opening, and doing away with
18 customer services. And I think that's a very important part
19 to --

20 CHAIR BRACKPOOL: Thank you.

21 MR. BUCALO: -- to address. Thank you.

22 CHAIR BRACKPOOL: Thank you. So -- but I'm still
23 trying to get to the -- the -- the process issue of how we --
24 how we handle this particular situation. So I understand what
25 you're saying. If we don't give you a one-year approval that

1 it's not spread equally. But I also need to be able to make
2 sure that if we do come up with changes at that time that we
3 can incorporate those changes. That is I don't want this
4 being, as I said, the tail that wags the dog.

5 So, Craig, are you coming forth with a way around
6 that issue?

7 MR. FRAVEL: Craig Fravel, SCOTWINC Chairman.

8 First of all, the agreement as it's drafted is -- is
9 provider diagnostic (phonetic). We don't care under this
10 agreement whether ADW is provided by TVG, XpressBet or the CHRB
11 website. So whether when -- if and when there's some
12 reinvigoration or change to the existing ADW structure it won't
13 be affected by this agreement.

14 And secondly, he just mentioned, I think we'd all be
15 willing to put a re-opener in this agreement that allows to
16 accommodate whatever the Board might decide in the summer.

17 CHAIR BRACKPOOL: But as long as we can do that then
18 I think, you know, I would be prepared to make a motion to go
19 ahead, as long as we've got that. Because we are working
20 towards this -- you know, I do intend -- I've got to get the
21 exact date -- but I do intend to have a special session. It
22 will be probably an open session of the Board because there
23 will be enough of us, I know, who will want to participate in
24 the whole ADW rework. And hopefully we can get to that in the
25 early part of the fall. I just don't want this hanging out

1 there.

2 So if we could, Jackie, have the motion changed to
3 say that there is -- counsel, maybe you could help me here with
4 how we word this. But we -- we just add to the -- the -- the
5 continued approval of that, that there is a re-opener, that if
6 we do get to, as a Board, really structure and somehow the ADW
7 contracts this is brought back at the same time.

8 VICE CHAIR ISRAEL: How about in six months with a
9 unilateral option to extend for six months.

10 CHAIR BRACKPOOL: That doesn't help the -- the pro
11 rata over the year. That's -- that's the issue.

12 COMMISSIONER CHOPER: I think you could just say that
13 with the understanding that this new one-year authorization
14 will accommodate any changes made with the ADW companies.

15 CHAIR BRACKPOOL: Okay. That would be -- that would
16 be fine.

17 So with that I would make Commissioner Choper's
18 motion for him.

19 And do you want to second that, Jesse?

20 COMMISSIONER CHOPER: Absolutely.

21 CHAIR BRACKPOOL: So it's seconded. All in favor?

22 ALL COMMISSIONERS: Aye.

23 CHAIR BRACKPOOL: Okay. Approved.

24 MR. LIEBAU: Thank you.

25 CHAIR BRACKPOOL: Thank you. Item number eight,

1 discussion by the Board regarding a report on the progress of
2 the dirt and turf race courses at Santa Anita Park Race Track.

3 And can I have you step forward to the front table,
4 please? We have representatives from Santa Anita. Could you
5 state your names, affiliations for the record, please?

6 MR. AVIOLI: Greg Avioli, the president and CEO of
7 the racing division of the Stronach Group.

8 MR. HAINES: George Haines, Santa Anita.

9 MR. SPETNAGEL: Jason Spetnagel, Santa Anita.

10 CHAIR BRACKPOOL: So the -- the brief history of --
11 of this is that the Board, under the direction of Kirk Breed,
12 the executive director, has held two informational hearings
13 over the course of the last 60 days on the issues surrounding
14 the, what we believe necessary, reworking and improvements of
15 the -- the main track at Santa Anita. The most recent of those
16 was -- was held yesterday at Santa Anita.

17 So a lot of that information has been out there and
18 been discussed in those meetings. But perhaps the presenters
19 could give us a summary of where -- what has happened, where
20 they are, what they believe the problem was, and what the
21 expected remedy is to be. And then I'm sure we'll have
22 questions from the commissioners.

23 MR. AVIOLI: Greg Avioli of the Stronach Racing
24 Group.

25 Mr. Chairman, I'm here just to really summarize where

1 we are from a corporate standpoint, then turn it over to --
2 really to George and his team to give you the details. But we
3 take this issue very, very seriously. We have -- we believe we
4 have as big or a bigger stake in getting this decision right
5 than anybody in this room. This is really the future of our
6 race track and -- and the future of our brand. And it's also
7 coming at a time when we're trying to put a new face forward to
8 not only the California industry but to the whole thoroughbred
9 industry that, you know, we're -- we're a product that we want
10 people to be attracted to, we're a racing product, we want
11 people to bet, we're a track, we want people to send their
12 horses. So it's got the highest level of priority for us.

13 We are going to be funding all the cost of this
14 ourselves. And we're -- and we're -- we're -- we're willing to
15 do that. We know that it's our responsibility because it's our
16 race track. So we are -- we are determined that we will get it
17 right.

18 And the last thing -- the last two things I want to
19 say is -- is that when I was here before you a few months ago I
20 told you that in the future, going forward, we want to be more
21 collaborative. We want to work with everyone. And when times
22 get hard it's time to put aside your differences. And in this
23 instance I believe we've -- we've taken a good step in that
24 direction. It hasn't always been easy. But I want to
25 personally thank the representatives of -- of the Board,

1 including Mr. Breed, of the TOC and of the CTT, because working
2 together I think we've come up with -- with a good solution.

3 George?

4 COMMISSIONER HARRIS: Yeah. First of all, I'd like
5 to thank Director Breed for putting these meetings together.
6 They've been quite productive in bringing together all factions
7 of racing, the CTT, the TOC, the CHRB and management.

8 Over the past six, seven months we've probably dealt
9 with every expert in horse racing out there. And we started
10 off with a great track. Unfortunately, that track changed.
11 For whatever reason it's still under a bund of different
12 theories. But we do know now that the composition of the --
13 the track has way too much clay in it. And the way to solve
14 that problem is to dilute that clay with clean sand material.

15 There's different ways of getting to that end. We've
16 discussed those methods and procedures. I think we're zeroing
17 in on a method, and everybody is in agreement with that. We're
18 putting together the numbers now and mobilizing equipment.
19 We're already searched and found the material. We have the
20 material onsite to accomplish this. We are looking at probably
21 a 10-day to 14-day remediation of the race track to get it to
22 where we want it. We will do extensive quality control with
23 testing, hopefully onsite. We'll have tests running constantly
24 to make sure that we get this right.

25 As Greg said, we have a great deal invested in this.

1 We are going to do the very best to get this as good as we can
2 get it.

3 CHAIR BRACKPOOL: Kirk, what would you add to that?

4 EXECUTIVE DIRECTOR BREED: Mr. Chairman, Members of
5 the Commission, in my -- in my tenure here I, and in all the
6 years that I've been in horse racing, I don't think as much
7 science has ever been mobilized to develop a manufactured
8 surface as has been mobilized with the cooperation of the
9 trainers and the TOC, the horse owners and -- and, of course,
10 the builder, Santa Anita. It's a great experience. We've
11 learned a lot from the experience, and that what we have
12 learned has been applied and will be applied to the rest of the
13 race tracks in California. These tracks can be safer. These
14 tracks can be better. And -- and I want to -- to just state my
15 appreciation to the parties involved, the so-called
16 stakeholders, that they have really worked very diligently to
17 come up with the proper solutions.

18 CHAIR BRACKPOOL: The -- the specifics of the science
19 may -- may be difficult for a lot of people to grasp. But is
20 it the case at the moment that the remediation plan is now
21 agreed to, not -- we didn't sign off on the results, but the
22 remediation plan is agreed to by Santa Anita, by CTT, and by
23 TOC?

24 MR. HAINES: Yes. We agreed yesterday to the --
25 probably the method that we're using. We just need to finalize

1 some details, but I don't see any problem finalizing those
2 details. So we expect to go forward very quickly.

3 COMMISSIONER CHOPER: I just hope the price of
4 agreement doesn't make you, who are ultimately responsible for
5 this, have some feeling of discomfort. Because I guess if --
6 if anything has been shown it's that the science on all of this
7 is far from perfect. And I think, you know, you're --
8 everything you've said is true. And everything that -- that
9 Kirk said is true. But you don't want to build an atomic bomb
10 needing the agreement of somebody who -- who really, the
11 agreement is not as informed as it might be.

12
13 So I just hope you're comfortable with all of that.
14 I think it's admirable to get the agreement. I think it is.
15 But I certainly wouldn't depart very quickly from what you
16 think, on the basis of what you're trying to accomplish in your
17 terms, what you think is the right answer to this. Okay.

18 MR. HAINES: Couldn't agree more. We've always
19 agreed on the end result, I believe. We know where we need to
20 get to, it's just the method to get there, the road that we're
21 going to take. And as we've said, we just, as I said,
22 yesterday we came to an agreement what road we're going to
23 take.

24 CHAIR BRACKPOOL: But I also think that it's --
25 it's -- I shouldn't over-speak. When I said you have an

1 agreement of the CTT and the TOC, you have agreement presumably
2 by the representatives of the CTT and the representatives of
3 the TOC. I'm sure that everybody's got an opinion about, you
4 know, a race track that's out there.

5 Vice Chair Israel.

6 VICE CHAIR ISRAEL: Yeah. When you get to testing
7 how do you effectively test how it will respond in a variety of
8 other conditions, and how do you -- and how will you test
9 how -- response to repetitive use and pressure from, you know,
10 hundreds of horses on a daily basis?

11 MR. HAINES: Well, I think some of those answers just
12 can't be -- be answered right now until the track is really in
13 effect, unless Director Breed has some answers and studies
14 regarding that. We know the parameters of the composition of
15 the surface we need to put in, the shear -- for actual shear
16 strength and those type of things. But we have to get the
17 track in use to really find those answers. And we are doing
18 certain tests. We're going to do a test next week to simulate
19 two inches of rain in a 24-hour period and see how the track
20 responds.

21 So, yeah, we are trying to test those. But really
22 until you're racing and training --

23 VICE CHAIR ISRAEL: Now I may be wrong on this, but I
24 think we've been shown up at UC Davis something that tests the
25 impact of a surface on a horses hoof and what happens to that

1 surface when it's subject to repeated use by -- by a horses
2 hoof.

3 Is there a way to take this section of the track
4 that's identical to what is going to be put in the seven-
5 furlong chute and recreate it in that test box, that
6 Plexiglas -- Plexiglas test box at UC Davis and run it through
7 the kind of tests that car companies, for instance, run
8 windshield wipers through and -- and puddles through and -- and
9 distance through so that it's going to be basically subjected
10 to three years worth of horses running over it in a very short
11 period of time and see how it reacts?

12 EXECUTIVE DIRECTOR BREED: Let me see if I can answer
13 that question, Vice Chairman Israel. The -- it's really two
14 parts.

15 One is, is that on Friday we will be doing the final
16 test of impact and shear using a mobile device that has been
17 developed by Mick Peterson, and that the CHRB has purchased
18 which is called a hoof tester. We -- we -- we're testing all
19 the race tracks in this. And in fact, the -- the data that we
20 receive from this is also comparable -- it's comparable to data
21 around the country. So we are testing this particular track in
22 terms of shear.

23 The -- this is a manufactured surface. We take
24 material from different locations and we put that material
25 together and -- and we determine how long it will last, and we

1 have done that. And -- and as you use -- over a 30-day period
2 of time this particular material will contribute -- will have a
3 clay increase from one to three percent. So -- so we know it
4 does change as it is being used, and we can almost program that
5 change.

6 Unfortunately, with this type of material is that
7 from the -- from day one when take the material out of the
8 quarry or the manufactured area where it's developed to the end
9 of the material there is a variation in terms of -- of how the
10 material is going to react. It's not all just very static
11 material. It's not manufactured to be all equal. So we have
12 to monitor that and test that through that whole process.
13 And -- and we have incorporated those controls, those quality
14 assurance controls, if you will, in -- in this process. So I
15 think we've covered --

16 VICE CHAIR ISRAEL: How well does it replicate the
17 activity that the track gets on a daily basis over a three-
18 month meeting? I mean, that -- that --

19 EXECUTIVE DIRECTOR BREED: The -- the -- you're
20 talking about the tests; right?

21 VICE CHAIR ISRAEL: Yes. Yes.

22 EXECUTIVE DIRECTOR BREED: You can't replicate it.

23 CHAIR BRACKPOOL: No, you can't.

24 EXECUTIVE DIRECTOR BREED: You know, all you can do
25 is project what's going to happen.

1 VICE CHAIR ISRAEL: Because, I mean, the goals are --
2 I mean, the goals are -- everybody's got the same goals. And
3 the track has to be three things. It has to be safe. It has
4 to be fair so people -- it's a consistent surface, so you know
5 what you're running over and handicappers can handicap. And it
6 has to hold up to the elements. And in this case two out of
7 three isn't really good enough. You've got to have them all.
8 And that's -- you know, how do we get there?

9 EXECUTIVE DIRECTOR BREED: Well, the point is, is
10 that every -- every race track, whether it be synthetic or
11 whether it be dirt, every race track in the -- in the country
12 has to be augmented on a periodic basis dependent on --
13 depending upon the material that you're using. Some material
14 lasts longer than -- than other material. But every component
15 within that material you have to add elements to that and
16 replace it through a period of time. Some of these are
17 unknown. Some of these time factors are unknown. That's why
18 we continue to test it throughout the course of -- of the race
19 meet, for example. And it's all based upon moisture content,
20 the depth of the cushion, and what that shear strength is,
21 meaning what happens to that hoof when it hits the ground or --

22 VICE CHAIR ISRAEL: Right.

23 EXECUTIVE DIRECTOR BREED: -- when it hits the
24 synthetic surface. And that's what we have to monitor, and we
25 have the equipment to do that. And that's -- that's why we --

1 and that's why we work very closely with them.

2 VICE CHAIR ISRAEL: Look, I mean, I don't -- I don't
3 zero defects is possible. But if you set some kind of
4 standard, you know, like they do in industry with the Six Sigma
5 project --

6 EXECUTIVE DIRECTOR BREED: But --

7 VICE CHAIR ISRAEL: -- where your aspiration is -- is
8 six defects per thousand or a million uses, whatever it is at
9 whatever you're producing, you know, that's a goal. Maybe
10 there's some standard deviation that you have to set as a goal
11 to try to achieve.

12 EXECUTIVE DIRECTOR BREED: Those standards -- those
13 standards are what we are developing right now. And we have to
14 develop and we are. And we have a proposed set of standards
15 for Santa Anita which -- which the horsemen are aware of. And
16 we've made all these available to the horsemen. And there's
17 that area of variability that we -- we are dealing with that's
18 incorporated in the standards. Each race track will have a set
19 of standards that they can maintain.

20 CHAIR BRACKPOOL: Any other comments from
21 Commissioners?

22 COMMISSIONER MOSS: I was just curious, are you going
23 to have to suspend training at any point at Santa Anita while
24 this process is going on?

25 MR. HAINES: Yeah. We're in a unique period right

1 now because, well, we start, say July 11th, all training
2 centers in California will be open, Del Mar, Santa Anita,
3 Hollywood. We would only suspend training on our main track.
4 We will have training available on our training track during
5 that time. Del Mar and Hollywood Park would also be open.

6 CHAIR BRACKPOOL: And my understanding is that
7 Hollywood Park has agreed to remain open if you run a little
8 longer.

9 MR. HAINES: Yes.

10 CHAIR BRACKPOOL: Thank you. I have -- before we go
11 to anything else I have one speaker, Tom Robbins.

12 MR. ROBBINS: Tom Robbins, Racing Secretary at Del
13 Mar.

14 I fully appreciate Santa Anita's efforts in getting
15 this job done right and -- and wish them the best of luck.

16 And where it may appear that Del Mar doesn't really
17 have a dog in this fight, we're the ones that will be impacted.
18 And I heard July 8th was the starting date, and now I hear July
19 11th. And I think that's significant because I'm -- I'm fairly
20 aware that -- that Hollywood in its last week didn't want to
21 have disruption of their horses that are stabled at Santa Anita
22 have to train on the training track. And I do appreciate very
23 much the fact that Hollywood Park will, as I just heard, will
24 remain open during that period that -- that Santa Anita is in
25 the process of -- of the -- of their track repair.

1 I'm fearful that this will go longer than 10 to 14
2 days. I just know how these things happen. I've had,
3 unfortunately, the same experience.

4 So even though I don't know what we can do, it
5 appears that Santa Anita will remain as the track that will be
6 open during Del Mar. There will be trainers that have been
7 preparing their horses in advance of -- of the Del Mar meeting.
8 And as you heard earlier, as we transition from a four-day race
9 week into five-day racing at a time when the inventory is down
10 I would hope -- and I'm speaking on behalf, and maybe TOC and
11 CTT would stand up here, as well -- that there is an offer made
12 to trainers that will remain at Santa Anita that only have the
13 option of working their horses on the training track be given
14 the option to travel to Hollywood Park during this period that
15 they're going to remain open at somebody else's expense other
16 than the owner and the trainer. And I would hope the owners'
17 and trainers' organizations would agree with that.

18 But we do have a dog in the fight as we don't want to
19 lose any days of racing at Del Mar. And I would hope somebody,
20 some entity would pay for that expense if a trainer, an owner
21 so willing to have to -- to van their horses over to Hollywood
22 Park, to pay for that expense.

23 CHAIR BRACKPOOL: I understand the -- the hopefully
24 isolated number that you're talking about. But could I -- I
25 don't want to sit up here and dictate who should pay what. But

1 I think your point is -- is a reasonable point. And perhaps I
2 could ask Santa Anita to see if they can't simply resolve that
3 to your satisfaction after this -- after --

4 MR. HAINES: Absolutely. We'll consider it.

5 MR. ROBBINS: Thank you.

6 COMMISSIONER ROSENBERG: When does Del Mar -- when
7 will Del Mar be open for training?

8 MR. ROBBINS: We open on the 10th for horses to come
9 in, and the track will open on the 11th.

10 VICE CHAIR ISRAEL: Okay.

11 CHAIR BRACKPOOL: I mean, I think, Tom, the point you
12 make is -- is a valid point, and I'd like you to try and work
13 it out. I don't want to sit here and say one -- one day or
14 whatever, that's not our role. But -- but I think the message
15 is a valid one. And I have a commitment from George that
16 they'll work with you on it.

17 MR. ROBBINS: Thank you.

18 CHAIR BRACKPOOL: And maybe the three parties can sit
19 down and -- and try and resolve it.

20 Commissioner Moss.

21 COMMISSIONER MOSS: I just wanted to say, as well, I
22 would echo Tom's statement. I think it's great what Santa
23 Anita is doing in making every effort in getting this right. I
24 think we all have to believe that California, we're alone out
25 here. And a greater Santa Anita means a greater Hollywood and

1 a greater time for the fans, and a greater Del Mar. And we're
2 rooting for you to, obviously, get this track just doing great.
3 And once you do you're going to rule the world. I believe
4 that. So --

5 CHAIR BRACKPOOL: And I believe we have somebody to
6 talk about the -- the issues with the turf -- turf course, as
7 well; is that correct?

8 MR. SPETNAGEL: Yes.

9 MR. HAINES: Yes. Jason Spetnagel, our director, but
10 he also oversees the turf course operation.

11 MR. SPETNAGEL: Yeah. As far as the turf course
12 goes, following the -- the end of the meet it went through an
13 extensive renovation that -- their renovation included, you
14 know, approximately 4,000 square feet of new sod, an extensive
15 aeration process, verticutting and -- and a pretty aggressive
16 top dressing program to try to break up that thatch layer.

17 As far as the issues that we did see, we were unable
18 to pinpoint one specific thing that -- that led to it. But we
19 do believe that all the things that we have done this spring
20 should take care of that problem.

21 VICE CHAIR ISRAEL: I hope we do take care of it
22 because --

23 MR. SPETNAGEL: Yes.

24 VICE CHAIR ISRAEL: -- we had real adverse issues
25 last year.

1 CHAIR BRACKPOOL: Did you have a comment --

2 MR. LIEBAU: Yes.

3 CHAIR BRACKPOOL: -- Mr. Liebau?

4 MR. LIEBAU: I -- yesterday I talked to Mr. Haines
5 about them staying open until the 12th, which is a Sunday, so
6 people at Santa Anita could work their horses Saturday and
7 Sunday, and thereby be able to run our last weekend here and
8 not have to ship their horse over here to be worked on that
9 Saturday and Sunday. I'm sure that we could work something
10 out. But I just wanted to make sure that that's on the record
11 that we have ongoing discussions as to whether they should
12 start on the 11th or start on the 13th. And it's --

13 CHAIR BRACKPOOL: And again, I'm going to let you all
14 work that out. I've been a party to a lot of these --

15 MR. LIEBAU: Right.

16 CHAIR BRACKPOOL: -- conversations --

17 MR. LIEBAU: No, I understand.

18 CHAIR BRACKPOOL: -- in the past two weeks, and I'm
19 pleased with the cooperation. I know we'll get it worked out.

20 MR. LIEBAU: Right.

21 CHAIR BRACKPOOL: But thank you for -- for making
22 that -- making that point.

23 Commissioner Derek.

24 COMMISSIONER DEREK: I'd just like to say that I
25 think that the -- the Board, our Executive Director has put so

1 much into this. We've already spent a lot of money providing
2 the best science of the moment, and now the ball is in your
3 court. And we trust that you will make a beautiful, safe
4 track.

5 CHAIR BRACKPOOL: And we will have on either the July
6 or the August agenda a follow-up to this issue where we get a
7 complete report on what was done, how it's handling it, where
8 it's working, etcetera. Thank you. That concludes item number
9 eight.

10 Item number nine, discussion and action by the Board
11 regarding a finding pursuant to Business and Professions Code
12 sections 19483 and 19484, that the ownership of Santa Anita
13 Park Race Track, Golden Gate Fields and XpressBet by a to-be-
14 named entity controlled by Frank Stronach is in the best
15 interest of horse racing, and whether such ownership better
16 serves the purpose of Business and Professions Code, Division
17 8, Chapter 4, Horse Racing Law.

18 Very simply, this Board had previously, when MID
19 purchased the assets from the Magna Entertainment bankruptcy,
20 this Board had extensive conversations and meetings. We ended
21 up after several meetings with a negotiated set of conditions
22 that allowed this Board to issue a waiver to allow the common
23 ownership of those three entities. And shortly thereafter we
24 were informed of the transaction for, what is in my papers
25 here, the Stronach Trust to purchase these -- these assets.

1 So perhaps, Greg, you could give us an overview of
2 where you are, I know you did last month where -- two months
3 ago, where you are currently and -- and -- and the conditions
4 on the waiver and whether you are prepared to comply with those
5 conditions.

6 MR. AVIOLI: Greg Avioli from the Stronach Group.

7 Thank you, Mr. Chairman. And -- and that is the
8 first update. I can give you the name of the -- of the trust.
9 It's actually going to be called the Stronach Group. Scott
10 Daruty who is here with me can go through the actual
11 organization chart and the boxes to the extent asked for by --
12 by the Board. Again, I'll give you the high level overview.

13 The transaction is -- is on target to close on June
14 30th. So effective July 1 the Stronach Group will have
15 essentially acquired the interest it does not have already have
16 of MID as regards all the North American racing assets.
17 We're -- we're going to have approximately \$40 million of
18 working capital in the bank on that. I think actually it may
19 be a little bit more than that right now.

20 We are, as you've heard me say, you know, we're
21 excited about the future in California. I appreciate
22 Commissioner Moss's sentiments. I don't know if we -- we're
23 going to rule the world, but it would be good to get back on
24 the right track, no pun intended. We are agreeable to -- to
25 complying with the terms of the waiver that this Board felt fit

1 to put in place last year.

2 Just a couple of updates. You know, we are -- we're
3 trying to put our -- you know, to -- to -- to walk and not just
4 talk. And we -- we have made a very aggressive bid for the
5 2012 Breeder's Cup where we've made some very strong financial
6 commitments to the Breeder's Cup. We have been informed in the
7 last week that we are one of the finalists and should know in
8 the next 30 days. And we feel pretty good about our chances
9 and think that would be a very good thing for California
10 racing.

11 We have talked about the -- the -- the race track and
12 what we're -- what we're going to -- what we're hopefully going
13 to do together. And I was interested in hearing some of the
14 things that Del Mar is doing on their -- on their digital
15 marketing experiment. We have our own, some digital
16 distribution projects we're working on. I think they relate to
17 one of the conditions of the waiver, as well. And we'd --
18 we'd -- we'd like the opportunity to come back at -- at your
19 next meeting and tell the Board what we're doing on our side to
20 expand the fan base and the -- and the digital footprint of the
21 sport.

22 CHAIR BRACKPOOL: Thank you. I have looked at these
23 charts. And it's -- it's a little like that old game of spot
24 the difference where --

25 MR. AVIOLI: Yeah.

1 CHAIR BRACKPOOL: -- you have to read it three or
2 four times to actually spot the -- the difference. But the
3 real difference is in the -- in the ownership and executive
4 control of the very top company, and then obviously update it
5 to reflect the changes of Greg's new position throughout. Is
6 that a brief summary?

7 MR. DARUTY: Scott Daruty with the Stronach Group.
8 Yeah, that's an accurate statement.

9 MR. AVIOLI: Essentially, the -- the MID, if you go
10 through -- up there, there might be five or six levels of
11 boxes. The second to the top was MID, and that's now being
12 replaced by a new subsidiary of the Stronach Group.

13 CHAIR BRACKPOOL: Right. Right.

14 Commissioner Rosenberg first.

15 COMMISSIONER ROSENBERG: Is -- I've read that San
16 Luis Rey Downs is included in the purchase that is being made
17 from MID, the transfer; is that correct?

18 MR. AVIOLI: Yes.

19 COMMISSIONER ROSENBERG: And I realize it's not part
20 of the racing assets. But is -- is there a plan in place to
21 keep it open for -- I mean, we've had that before us a number
22 of times recently.

23 MR. HAINES: George Haines, Santa Anita. The plan is
24 that the San Luis Rey Downs' facility has been leased to a
25 group, and they are running it right now. If they -- they do

1 not run it then I believe, you know, that we -- somebody else
2 would be sought after to run that facility for the Stronach
3 Group.

4 MR. AVIOLI: I can elaborate a little further.
5 Currently the terms of the lease are not being fully met by the
6 lessee, and we'd -- we'd like those to be met. But there are
7 no plans right now to discontinue its operation. If it's not
8 going to work with this lessee we hope to find another one.

9 COMMISSIONER ROSENBERG: So your intention is to keep
10 it going as a training center?

11 MR. AVIOLI: That's the current intention, yes.

12 COMMISSIONER ROSENBERG: The other thing is on the
13 trust, looking at this chart here with Mr. Chairman, the bottom
14 line is that the Stronach Group, which is the new name of the
15 trust, the Stronach Group is a trust; correct?

16 MR. AVIOLI: Yeah, basically.

17 COMMISSIONER ROSENBERG: Is there anything in that
18 trust that would govern what would happen in the event of a
19 change within the trust? In other words, I don't know who
20 the -- we don't know who the beneficiaries of the trust are.
21 We don't know who -- who the -- the trustees of the trust are
22 either. I'm just asking that question of whether it relates to
23 any change there. Is there anything that would require the
24 sale of any assets that the trust holds upon change in the
25 trustees?

1 MR. DARUTY: Well, the -- the trust is controlled
2 right now by Frank Stronach and by his daughter Belinda
3 Stronach. I'm not sure if you're getting at sort of estate
4 planning questions, I don't know the answer to that, or --

5 COMMISSIONER ROSENBERG: No.

6 MR. DARUTY: -- or --

7 MR. AVIOLI: There are no conditions in the trust
8 that would -- that would have any specific requirement. To the
9 extent I understand the question, no, sir.

10 COMMISSIONER ROSENBERG: And the last question. Did
11 the provision in the letter that was signed that related to the
12 waiver on financial statements for the -- through December 31,
13 2010, has that been furnished to the Board?

14 CHAIR BRACKPOOL: Well, if you actually look at
15 the -- the details, I looked at that this morning, as well,
16 it's by a certain date. Because the audited financial
17 statements, it was the period of May 1st through December 31st.

18 COMMISSIONER ROSENBERG: Right.

19 CHAIR BRACKPOOL: And then we asked for the stop
20 period. The stop period actually ends next week, which is the
21 date of the transfer. The -- the only thing that this waiver
22 did not have in the final letter, Counsel, was a date by which
23 we had to receive those financials. It was -- it said when
24 they're audited and when we get it to staff.

25 MR. MILLER: That's correct.

1 CHAIR BRACKPOOL: Right. I want that tightened up
2 for this time around. I mean, you shouldn't have some
3 undefined period of time within which to deliver financials.
4 And that was a mistake last time that that didn't get in there.

5 So the first question, going to Commissioner
6 Rosenberg's question, do we actually have the audited ones for
7 May 1st through December 31st of 2010?

8 MR. DARUTY: Those are being finalized right now.
9 They will be available next week and submitted to the Board at
10 that time.

11 CHAIR BRACKPOOL: Okay. And how long after June 30
12 will the stop period be -- be effective -- be ready?

13 MR. DARUTY: Well, if you give me one moment, let me
14 defer to our finance person.

15 CHAIR BRACKPOOL: Because I don't want to -- go
16 ahead.

17 MS. LAVO: Gina Lavo for -- for both --

18 CHAIR BRACKPOOL: Right.

19 MS. LAVO: -- for Santa Anita and Golden Gate. You
20 can have those by July 31st.

21 CHAIR BRACKPOOL: Okay. And on an ongoing basis,
22 which is what's really critical, we're going to have -- because
23 Santa Anita was just a one-time requirement. But how -- what
24 are we going to say, 90 days after the year-end we'll have
25 those?

1 MS. LAVO: Yeah. That -- that would -- we had some
2 issues this year because of the pending deal. We had some
3 representation issues and it kind of --

4 CHAIR BRACKPOOL: Right.

5 MS. LAVO: -- dragged out longer than it needed to.
6 But I've been assured by our auditors I will have them next
7 week.

8 CHAIR BRACKPOOL: Okay. So when we --

9 COMMISSIONER ROSENBERG: I think the application
10 process that we're changing will cover that.

11 CHAIR BRACKPOOL: It should cover that. But let's
12 make it absolutely clear in a waiver, Counsel, that when we
13 issue the -- the -- the new -- new waiver here that item number
14 one is amended to reflect the fact that those financials are
15 due 90 days after the end of each.

16 MR. MILLER: Thank you.

17 CHAIR BRACKPOOL: Item number two on the waiver is
18 the LC that you had posted with us. And I'm assuming you're
19 going to withdraw the current LC and replace it with a new one.

20 MR. DARUTY: That's correct. It will be in the name
21 of the new company, as opposed to the old company.

22 CHAIR BRACKPOOL: Right. So we need that within a
23 certain number of days after the transfer.

24 MR. DARUTY: I would think 30 days, certainly, if
25 that's acceptable to you.

1 CHAIR BRACKPOOL: That's fine, 30 days. We won't
2 return the other one until we get the new one.

3 So 30 days, Counsel, on item number two to -- to --
4 to make the change.

5 And the -- the rest of the issues there, apart from
6 item number seven, which was Golden Gate-NOTWINC resolution,
7 this shouldn't be in here because this was supposed to have
8 been resolved by now. And so it doesn't make sense to leave it
9 in here as a standalone item.

10 Do we know what that final resolution was? Gina, do
11 you want to brief us on that again?

12 MS. LAVO: Yes. That deal was settled in March. All
13 parties were paid and it's a done deal.

14 CHAIR BRACKPOOL: That was my recollection, yeah, is
15 we have these. And so I think we can lose item number seven
16 now, Counsel.

17 MR. MILLER: Thank you.

18 CHAIR BRACKPOOL: So if there are no further
19 Commissioner comments I would move to -- do I have a resolution
20 in the book yet, in the staff report, Jackie?

21 So I would move to authorize the waiver be granted
22 now for the Stronach Trust -- to the Stronach Group, the
23 Stronach Group is the name.

24 And you'll make sure that you've got the exact
25 correct name, Counsel, from -- from these guys.

1 But the Stronach Group will be granted a waiver with
2 the amendments to number one, number two, and removing number
3 seven. And I would make that -- I would make that motion to
4 allow them to operate.

5 Can I have a second?

6 VICE CHAIR ISRAEL: Second.

7 CHAIR BRACKPOOL: Second by Vice Chair Israel. All
8 in favor?

9 ALL COMMISSIONERS: Aye.

10 CHAIR BRACKPOOL: Motion approved, waiver approved.
11 Let's do it right.

12 MR. DARUTY: Thank you very much.

13 MR. AVIOLI: Thank you.

14 MR. HAINES: Thank you.

15 CHAIR BRACKPOOL: Item number ten, discussion and
16 action by the Board regarding the distribution of race day
17 charity proceeds of the Oak Tree Racing Association in the
18 amount of \$24,962 to eight beneficiaries. I wouldn't think I'd
19 have any comments. The list of where they're going to is in
20 here.

21 Are there comments? Do I have --

22 COMMISSIONER DEREK: Well, I would just like --

23 CHAIR BRACKPOOL: Oh, sorry.

24 COMMISSIONER DEREK: In the future if we could just
25 have a little description of what these foundations are. A few

1 of them I know, a few of them I don't. And it would just be --
2 EXECUTIVE DIRECTOR BREED: We can do that.
3 CHAIR BRACKPOOL: That would be good, Jackie, if we
4 could -- just a simple -- you mean, who they benefit?
5 COMMISSIONER DEREK: A definition of --
6 CHAIR BRACKPOOL: Exactly.
7 COMMISSIONER DEREK: -- of what they benefit.
8 CHAIR BRACKPOOL: That's a great idea.
9 VICE CHAIR ISRAEL: They can just take it off their
10 website.
11 CHAIR BRACKPOOL: Yeah. That's a good idea. That's
12 a good idea. Okay. All right.
13 I'll make a motion to approve that distribution. Do
14 I have a second?
15 COMMISSIONER CHOPER: Second.
16 CHAIR BRACKPOOL: Commissioner Choper seconds. All
17 in favor?
18 ALL COMMISSIONERS: Aye.
19 CHAIR BRACKPOOL: The motion carries.
20 Item number 11, discussion and action by the Board on
21 the approval of service, steward and official veterinarian
22 contracts for fiscal year 2011. This was the holdover from
23 last time where the commissioners had asked for a little more
24 information. Thank you. This is -- this is good information
25 and allows us to ask the questions.

1 I have two questions on the -- on the pack. I don't
2 know whether -- what I should do. Should I go first? I don't
3 know.

4 John, do you want to --

5 COMMISSIONER HARRIS: I think it's important to --
6 that -- that we realize these are sort of the cap.

7 CHAIRMAN BRACKPOOL: I agree.

8 COMMISSIONER HARRIS: This doesn't mean we're going
9 to have to spend that much. This is the cap that we --

10 CHAIRMAN BRACKPOOL: I agree.

11 COMMISSIONER HARRIS: -- authorize at this point.

12 CHAIRMAN BRACKPOOL: I agree. I have two -- two
13 questions. So maybe someone can just help me through --
14 through this.

15 On 11-7 in our book, which is the approval of the
16 contract for the official veterinarians, I understand the --
17 the narrative that's been given to us and all the reasons
18 behind. But I'm just curious as to why we were so much lower
19 in the estimated costs for the last fiscal year, the one that's
20 about to end, and the actual amount spent. I mean, it was --
21 it was more than half. It was like 40 percent. So I'm just
22 wondering why it was so much lower.

23 Kirk?

24 EXECUTIVE DIRECTOR BREED: Mr. Chairman,
25 Commissioners, and Dr. Arthur might want to speak to this fact,

1 but basically it boils down to the number of days that they
2 actually worked versus what we estimated. We estimated high.
3 We always estimate high on these in the budget -- in the budget
4 requirement. So we did estimate high to begin with. And then
5 the number of days was much fewer than what we -- we had --
6 they actually produced or what we -- what they did was
7 actually fewer days than what we had --

8 CHAIRMAN BRACKPOOL: It can't just be days though.
9 Because if was prorated to days it would be a small percentage.
10 It wouldn't be 40 percent.

11 EXECUTIVE DIRECTOR BREED: No. No. It -- we
12 overestimated, not just on the basis of days but just to cover
13 ourselves.

14 CHAIRMAN BRACKPOOL: Dr. Arthur?

15 DR. ARTHUR: Mr. Chairman, Dr. Arthur, Equine Medical
16 Director. This actually gets into a contracting issue that I
17 quite really don't understand. But what we tried to do is put
18 the maximum amount in the individual contract a veterinarian
19 will reach. If you add these up we've actually budgeted for
20 990 days. And I can't remember, I think I may have it in there
21 someplace, the actual days of service are -- are closer to 700,
22 720 days. And it is just that if we contract Dr. Bailey, for
23 example, for 200 days and she ends up doing 220 days it causes
24 some problems with our contracting service.

25 CHAIRMAN BRACKPOOL: No. And I --

1 DR. ARTHUR: And they don't understand.

2 CHAIRMAN BRACKPOOL: I understand that part of it.
3 And I understand that this year, having spent 400 last year,
4 we've only got an estimate of 520. I just think we need -- in
5 order for this Board to perform a useful function rather than
6 approve, you know, maximums which aren't ever going to happen,
7 I just think we need to be -- be more accurate, and this year
8 is more accurate. And I prefer the way we're doing it this
9 year than the way we've done it in the past, is what I'm
10 saying.

11 EXECUTIVE DIRECTOR BREED: Good.

12 CHAIRMAN BRACKPOOL: The second one I had sort of
13 goes the opposite way, which is on 11-8, which were the
14 postmortem program costs. There we had last year an estimate
15 of 180. We only actually spent 83. But now we've got an
16 estimate of 297,000 for this year. And it just seemed a big
17 zigzag. And I read the -- the cover memo, but the cover memo
18 just talks about the \$350 per horse. It doesn't get me close
19 to the aggregate change that we're talking about here.

20 DR. ARTHUR: Well, let me actually do the math here.
21 Because I -- this is another issue where we overestimate the
22 number of -- the cost of the contract. We're actually going to
23 be doing about 260 necropsies this year, which is -- is really
24 a little over 100,000 plus in disposable costs. So we -- we
25 probably, if we had this contract this year we would be

1 spending somewhere around \$110,000 on this program.

2 CHAIRMAN BRACKPOOL: And we spent 83,000 last year.

3 DR. ARTHUR: That's right.

4 CHAIRMAN BRACKPOOL: And so I understand that. I did
5 the same math and I just couldn't get anywhere near \$297,000.

6 EXECUTIVE DIRECTOR BREED: Well, we -- we also have
7 doubled -- this year versus next year we have doubled the --
8 the price of -- on per-necropsy basis, which also contributes
9 to the increase. In other words, we -- we went from 134 to 3-
10 what?

11 DR. ARTHUR: 350.

12 EXECUTIVE DIRECTOR BREED: 350.

13 CHAIRMAN BRACKPOOL: Yeah. But you were doing it
14 based on the 350.

15 DR. ARTHUR: That's right, it was. But we've --
16 we've had as many as 350 horses. We don't expect that.
17 Hopefully it will be lower than it was before.

18 EXECUTIVE DIRECTOR BREED: Hopefully we won't have
19 any.

20 DR. ARTHUR: That's right. This gets in -- I'm not
21 involved in this part of the decision budgeting process. I'm
22 not actually involved in this. But -- but all of these
23 contracts are grossly overestimated, except the drug tests we
24 contract, which is right on.

25 EXECUTIVE DIRECTOR BREED: Right.

1 CHAIRMAN BRACKPOOL: Well, that's a specific payment
2 obligation.

3 DR. ARTHUR: That's right.

4 CHAIRMAN BRACKPOOL: Commissioner Israel?

5 VICE CHAIRMAN ISRAEL: Yeah. I'll -- I want to ask a
6 question about the drug testing. The number is static, even
7 though we will be -- I think I've asked this before in private.
8 The number is static even though we're running fewer races and
9 we have fewer horses out there. So why wouldn't it, therefore,
10 go down?

11 DR. ARTHUR: Well, we --

12 VICE CHAIRMAN ISRAEL: We running many fewer days
13 than we used to.

14 DR. ARTHUR: Actually, in response to that, because
15 of the changes in the way the contract was -- was written about
16 four or five years ago it's actually a per-month basis fee.
17 And what we actually did, just by doing that, is -- is increase
18 the number of tests, which were about 11,000 paired samples for
19 1.3 million. We actually went up to 15,000 for -- for the same
20 costs for the basic testing, and that's not the out-of-
21 competition testing. We're still actually more efficient.

22 Frankly, what the problem was, it's the biggest line
23 item issue to an outside vendor and the Horse Racing Board.
24 And what would happen in May and June, the Board would run out
25 of money and they did what's called --

1 VICE CHAIRMAN ISRAEL: Right.

2 DR. ARTHUR: -- sync testing (phonetic). So what we
3 tried to do to avoid the -- the attractiveness of going into
4 that money and spread it out over a period of time, we've
5 actually increased the efficiency. We're doing much more
6 testing. We're doing clenbuterol at 25 picograms. We're doing
7 anabolic steroid testing. We're testing for many more drugs
8 than we were when we started before.

9 The real issue here, and I hate to bring up a sore
10 subject, is not what we're spending here, why aren't we
11 spending more money? Hong Kong spends \$700 for each horse that
12 they test.

13 CHAIRMAN BRACKPOOL: I understand. But that's not --
14 that's not where we're going on this. We don't have time for
15 that particular --

16 DR. ARTHUR: Okay. But -- but --

17 CHAIRMAN BRACKPOOL: But --

18 DR. ARTHUR: But anyway, we're actually -- we're
19 actually more efficient. We get more testing done and broader
20 testing than we've ever had before.

21 VICE CHAIRMAN ISRAEL: Okay. I just started thinking
22 I have two questions. Kirk, actually, I think you'd be the one
23 to answer this.

24 The first question is there was an inequity in how we
25 paid stewards that you and I discussed, where if a safety

1 steward had to take the place of the -- the steward up in the
2 box in the afternoon he did not get any additional money, even
3 though he was basically doing two jobs. And -- and has that
4 been corrected?

5 EXECUTIVE DIRECTOR BREED: That has been corrected.
6 And I've talked with each safety steward. Whenever there's an
7 emergency and one of our online stewards have to leave then the
8 safety steward would come in later in the day and simply occupy
9 that position. The steward, the -- the online steward would
10 then not be -- receive a payment for that day. And the -- and
11 the safety steward would receive the same payment as the online
12 steward would.

13 VICE CHAIRMAN ISRAEL: Okay. Good. That's -- that
14 inequity has been corrected.

15 The second thing is on the hearing officers where
16 we've apportioned -- have appropriated 25,000 for Scott Chaney
17 and 25,000 for Stephan Enloff (phonetic), what are they
18 expected to do for that 25,000? How -- how -- how are they
19 paid? Is it pro -- is it a per day rate, is it a per hearing
20 rate, and what is the rate?

21 EXECUTIVE DIRECTOR BREED: The -- the -- the hearing
22 officers have the same contract category and payment category
23 as the stewards. So they're paid a flat rate on -- on a per-
24 day basis. And that's -- that's what they're paid.

25 VICE CHAIRMAN ISRAEL: Now does that include writing

1 the results of the hearing or is that a second day payment?

2 EXECUTIVE DIRECTOR BREED: That would be a day
3 payment, yes.

4 VICE CHAIRMAN ISRAEL: Okay. Thank you.

5 CHAIRMAN BRACKPOOL: I think going to David's point
6 here, if we could in the future additionally -- I don't know
7 how you want to do the approval, I'll leave it to staff to come
8 back with a recommendation for next year as to -- as to how you
9 do it, but to go to David's point, it's one thing to approve
10 the maximum amount we'll spend in a category, right, but it's
11 also we really do need to look at what the individual
12 components of that category are. I mean, it's explained very
13 well in the post-necropsy program what the line items are. I
14 just couldn't get to the aggregate math.

15 So if what we're being asked to do is approve the --
16 the individual detailed expenditures, this is how much a
17 necropsy costs and this is how much a hearing officer costs,
18 etcetera, and here's the maximum amount we're going to allocate
19 to that category, I think that's a really useful way to have
20 to --

21 EXECUTIVE DIRECTOR BREED: Yeah.

22 CHAIRMAN BRACKPOOL: -- to do it.

23 EXECUTIVE DIRECTOR BREED: We can do that.

24 CHAIRMAN BRACKPOOL: I think it gets to -- to all of
25 those points.

1 VICE CHAIRMAN ISRAEL: Yeah. We -- but we need to
2 know what we're contracting for --

3 EXECUTIVE DIRECTOR BREED: Yeah.

4 VICE CHAIRMAN ISRAEL: -- what the expectation is.

5 CHAIRMAN BRACKPOOL: Exactly.

6 EXECUTIVE DIRECTOR BREED: Yes.

7 CHAIRMAN BRACKPOOL: And we have it on some of these.

8 VICE CHAIRMAN ISRAEL: Right.

9 CHAIRMAN BRACKPOOL: Before we get to a vote on this
10 I have one speaker, Jerry Jamgotchian.

11 MR. JAMGOTCHIAN: Chairman Brackpool, Members of
12 the -- of the Board, you know, it's interesting when you take a
13 look at -- let's just talk about stewards first.

14 I think the CHRB should consider the fact that the
15 stewards are not independent contractors, they're employees,
16 and that this Board is looking at a potential lawsuit down the
17 road. And I was wondering if they have contacted legal counsel
18 to give a ruling whether these stewards, who have hours, who
19 have requirements, who clearly are not independent contractors
20 but being paid as independent contractors -- I think the CHRB
21 is exposing itself to some interesting litigation if, in fact,
22 one of these contractors sues as being an employee.

23 Do you think this Board should ask the attorney for
24 the Board to give them a ruling with regards to this? Silence.
25 Anyone want to say something?

1 MR. MILLER: Robert Miller, Counsel for the
2 California Horse Racing Board. My advice is to the Board and
3 only to the Board.

4 MR. JAMGOTCHIAN: That's fine. Well, you can render
5 advice later when a lawsuit is filed.

6 In addition -- in addition to that, I note that
7 there's 2.2 million being paid to stewards, about \$100,000 per
8 steward. If you look at the official veterinarians the average
9 to the official veterinarians is \$52,000. It seems like if the
10 CHRB wanted to save some money they could set up a master group
11 of stewards that are offsite and -- and have stewards at the
12 tracks and reduce this cost probably in half. You'd also
13 improve your decisions because you have consistency of stewards
14 making decisions. You -- it would reduce the amount, as I
15 said, and it would reduce the cost overall for the CHRB. If
16 anybody is interested they should certainly consider that.

17 And with regards to the vet -- veterinary, as I said
18 earlier, the vets, the ten vets are averaging \$52,000 for this
19 period. But Rick Arthur is receiving \$303,000, or 6 times
20 that. Has anybody considered the salary of -- of Dr. Arthur as
21 being reasonable or it grossly overstate, as he stated as most
22 of these numbers are?

23 I don't see any inducement here or any desire by this
24 Board to reduce costs. But I -- I remember that the -- the
25 equity -- the equine medical director a few years was paid

1 \$149,000. So why is Rick Arthur getting twice that? I guess
2 you guys are flush with money, but it's something that
3 certainly should be considered. I think you should look at
4 these costs. Even though -- even though the racetracks are
5 paying for them I think it's your obligation to make sure that
6 these costs are not wasted. And it seems to me paying Rick
7 Arthur twice what you previously paid other equine medical
8 directors and paying \$100,000 per year to a steward borders on
9 ridiculous. Thank you.

10 CHAIRMAN BRACKPOOL: Thank you. Do I have a motion
11 to approve these -- these service, steward and official
12 veterinarian contracts for fiscal year 2011-2012 as submitted.

13 VICE CHAIRMAN ISRAEL: So moved.

14 COMMISSIONER HARRIS: Second.

15 CHAIRMAN BRACKPOOL: So moved by Commissioner Israel.
16 Seconded by Commissioner Harris. All in favor?

17 ALL COMMISSIONERS: Aye.

18 CHAIRMAN BRACKPOOL: The motion carries. That
19 concludes the public portion of this meeting. We will now
20 convene to a closed session. Thank you for your attendance.
21 (Thereupon the California Horse Racing Board Regular Meeting
22 went into a Closed Session at 12:31 p.m., then was adjourned)

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TRANSCRIBER'S CERTIFICATE

I, Martha L. Nelson, attest that the foregoing proceedings were transcribed to the best of my ability.

I further certify that I am not a relative or employee of any attorney of the parties, nor financially interested in the action.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated this 29th day of June, 2011.

 /s/ Martha L. Nelson